



Metropolitan Transportation Commission

2004 Annual Report

we are three agencies in one



MTC Metropolitan Transportation Commission

BATA Bay Area Toll Authority

SAFE Service Authority for Freeways and Expressways

We started out in 1970 as a state-chartered, single-purpose agency charged with mapping the transportation future of the nine-county San Francisco Bay Area. Today we are three agencies in one, with a broad portfolio of duties and a shared mission: to knit the region's 4,500 buses, railcars and ferries, 1,400 miles of highway, 20,000 miles of local streets and roads, and eight toll bridges into a smooth-functioning network that safely gets the region's nearly 7 million residents where they need to go, when they need to get there.

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thank you for voting yes



In 2004, voters said “**yes**” more than 2.5 million times to improving mobility in the nine-county San Francisco Bay Area. More than 2.5 million times, Bay Area voters said “**yes**” to battling traffic congestion, boosting public transit service, and rehabilitating or replacing worn-out vehicles, roadways and other facilities over the next four decades. More than 2.5 million times, they said a resounding “**yes**” to taxing themselves and digging deeper into their pockets in order to give the region a world-class transportation system capable of carrying a growing population through the 21st century. In this annual report, we celebrate the region’s banner year at the ballot box, and salute the voters who made it happen.

letter from the executive director



In a series of 2004 ballot box victories, Bay Area voters delivered the impressive sum of \$8.5 billion in new transportation moneys in spite of the supermajority required for passing county sales taxes and most other local transportation funding measures in California. Not only did Bay Area citizens clear that once-daunting two-thirds vote hurdle again and again in 2004, but also, in several cases they exceeded it by a healthy margin. For the Metropolitan Transportation Commission (MTC), transit agencies, local governments, transportation stakeholders and commuters in the Bay Area, it was a banner year, the likes of which we haven't seen since 1962, when voters in three Bay Area counties agreed to tax themselves to build the BART regional rail system.

The Bay Area electorate made its first big transportation investment of 2004 in March, when voters approved Regional Measure 2 (RM 2). The landmark measure called for raising tolls on the region's seven state-owned bridges by \$1 in order to finance an ambitious Regional Traffic Relief Plan — largely designed to expand and enhance public transit options in and around the bridge corridors.

In terms of dollar impact, RM 2 is the largest of the year's crop of seven successful Bay Area transportation measures, promising to finance \$3.1 billion in transportation improvements and services over the next 35 years. MTC worked closely with the state Legislature — and particularly state Senator Don Perata — to draft the measure's mix of projects, and with local governments to build consensus and place the measure on their ballots. While as a “user fee” RM 2 only required a simple majority vote, the measure appeared on ballots in a full seven of the region's nine counties, making for a challenging campaign. There was a time in the Bay Area when calling for a \$1 bridge toll hike would have been political suicide. But in this era of “self-help” taxation and mounting frustration with traffic congestion, RM 2 readily passed with 57 percent of the votes cast.

The RM 2 expenditure plan touches on every mode of travel in the Bay Area. In addition to investing more than \$580 million in new commuter rail lines and extensions, the expenditure plan sets aside nearly \$400 million for growing the region's express bus, ferry and carpool-lane networks. In the realm of highway projects, RM 2

makes a \$51 million down payment on drilling a fourth bore for the Caldecott Tunnel, one of the East Bay's worst bottlenecks. The measure also earmarks \$42 million for deploying the high-tech TransLink® transit fare payment system regionwide. Long a priority on MTC's agenda, the TransLink® smart card will serve as a universally accepted passport on the region's many bus, rail and ferry systems.

In addition to swelling Bay Area transportation coffers, RM 2 also expands MTC's role as steward of the region's toll funds. I'm pleased to report that on July 28, a scant four weeks after the \$1 toll hike went into effect, we were geared up to make our first round of RM 2 allocations. By the close of the calendar year, MTC had authorized the allocation of \$158 million to more than two dozen RM 2 projects. And, acting as the Bay Area Toll Authority, MTC will issue bonds in the near future in order to expedite delivery of the RM 2 program.

The Bay Area electorate reaffirmed its support for transportation investments in November 2004, when super-majorities of two-thirds or greater approved new transportation sales taxes in Marin and Sonoma counties (half-cent and quarter-cent, respectively), and authorized 25-year extensions of existing half-cent sales taxes in Contra Costa and San Mateo counties. That same election, voters also mustered the two-thirds approval needed to pass a special East Bay parcel tax to buoy AC Transit's financially strapped bus system, and to levy a property tax to finance \$980 million worth of bonds for BART's seismic upgrade program.

The Bay Area kindled California's modern self-help movement in 1984 when Santa Clara County voters approved a local sales tax for transportation. Since then, the trend has been building momentum not only locally and across the state, but nationwide. In addition to the Bay Area's six successful transportation measures on the November ballot, three other California counties — Sacramento, San Bernardino and San Diego — renewed their half-cent sales taxes for transportation, raising an estimated \$25 billion. Nationally, the American Road & Transportation Builders Association reports that some three dozen ballot measures funding highways and public transit passed in November — many by significant margins — collectively generating tens of billions of dollars in new revenue.

At a time when state funding sources for transportation in California are under siege and federal funding levels are uncertain, the public's strong support at the local ballot box will allow critical mobility initiatives to move forward in the Bay Area and in dozens of cities across the land. It is our deep hope that the electorate's generosity and foresight will galvanize lawmakers at the state and federal levels to match their constituents' commitment to transportation. Thank you, Bay Area voters, for once again leading the way.



Steve Heminger





Yes Votes
743,741

Result
Passed with 57%

Ballot
March 2004

METROPOLITAN TRANSPORTATION COMMISSION — 2004 ANNUAL REPORT

san mateo county measurea

Yes Votes

186,480

Result

Passed with 76%

(two-thirds majority required)

Ballot

November 2004

Revenue: \$1.5 billion **Description:** Half-cent sales tax extension **Duration:** 25 years (2009–2034) **Highlights:** Provides funding to improve Caltrain service (grade separations and other capital and operating investments); reduce congestion via interchange and auxiliary lane improvements to U.S. Highway 101 and Interstate 280; repair neighborhood streets; expand senior and paratransit services; construct bicycle/pedestrian paths; support BART service to San Francisco International Airport; launch new passenger ferry service from South San Francisco and Redwood City.



[illegible]

Yes Votes
140,557

Result
Passed with 67%
(two-thirds majority required)

Ballot
November 2004

November 2004





Revenue: \$332 million **Description:** Half-cent sales tax **Duration:** 20 years (2005–2025) **Highlights:** Provides funding to reduce school-related congestion and provide safe access to schools; maintain and improve local bus service, including special services for seniors and disabled persons; fully fund and complete U.S. Highway 101 carpool lanes through San Rafael; maintain and improve roads, bikeways, sidewalks and pathways.

November 2004

ac transit parcel tax measure bb

Yes Votes

276,987

Result

Passed with 73%

(two-thirds majority required)

Ballot

November 2004

Revenue: \$140 million **Description:** Extends and increases — from \$24 to \$48 per year — an existing parcel tax in AC Transit's northern and central service areas (not including Newark and Fremont) **Duration:** 10 years (2005–2015) **Counties:** Alameda and Contra Costa **Highlights:** Provides funding for AC Transit operations and maintenance; preserves local and transbay bus services; maintains affordable fare structure for seniors and people with disabilities; supports AC Transit's discount youth pass program.



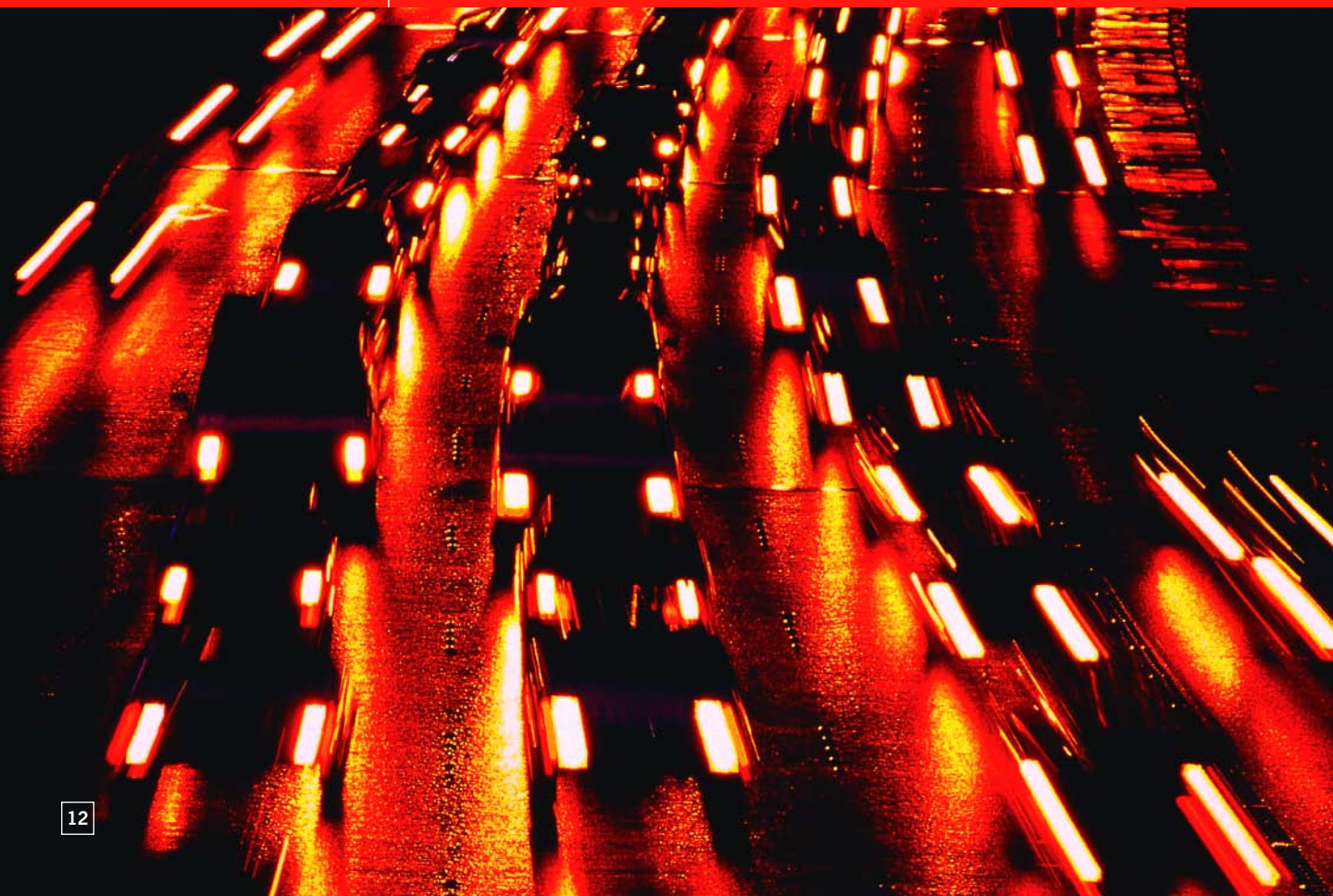


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San Diego County — 67 percent of San Diego County voters gave their approval to Proposition A, a 40-year extension of the county's half-cent sales tax that is expected to raise \$14 billion for transit, highways and local roads.

San Bernardino County — Fully four out of five voters — 80 percent — voted for Measure I, a 30-year extension of the existing half-cent sales tax. The new measure will generate some \$6 billion for transportation projects.





national measures

At the national level, the 2004 tally for transportation was equally impressive. In the November elections alone, states and localities passed some three dozen transportation funding measures — many by margins of two-thirds or greater. This flood of “yes” votes will pump tens of billions of dollars in new, locally generated revenues to transportation projects and programs around the nation, including:

Phoenix, Arizona — Maricopa County voters approved an \$8.5 billion, 20-year half-cent sales extension to help fund a \$16 billion comprehensive transportation plan for the region.

Denver, Colorado — Voters in the seven-county metropolitan area approved a 0.4-cent increase to the existing 0.6-cent transportation sales tax, raising \$4.7 billion to fund commuter or light-rail lines from Denver to other Colorado cities.

mtc 2004 year in review



January



Ushering in an era of closer cooperation, MTC and the Association of Bay Area Governments create a Joint Policy Committee to improve regional planning. In December, the Bay Area Air Quality Management District signs on.

May

MTC teams up with bicycle coalitions as well as with counties and cities to host Bike-to-Work Day 2004. Participants fueled up for the ride at more than 150 "energizer stations."



Pedestrian/bicycle path opens on new Alfred Zampa Memorial Bridge (Carquinez Bridge), closing a major gap in two regional trail systems while providing outdoor enthusiasts with a dramatic new recreational experience.



MTC participates in a press conference held by U.S. Senator Barbara Boxer at the Oakland Amtrak station to promote her legislative efforts to improve security on rail transit systems.



July

In its role as the Bay Area Toll Authority, MTC advances \$49 million to Caltrans to accelerate the repair/replacement of deck joints on the Richmond-San Rafael Bridge. The infusion of funds could trim as much as two years off the construction schedule.



for vehicles equipped with FasTrak™ electronic toll-payment transponders. The successful promotion attracts 80,000 new FasTrak™ customers.

As the Bay Area Toll Authority, MTC introduces a four-month, \$1 toll discount on the region's seven state-owned toll bridges

August



In an MTC-commissioned report to examine cost overruns on the Bay Bridge East Span seismic replacement project, Bechtel Infrastructure Corp. recommends retaining the current self-anchored suspension design for safety, cost and timeliness reasons.

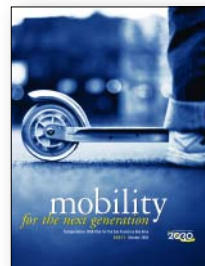
October



Acting as the Bay Area Toll Authority, MTC authorizes the issuance of \$300 million in toll revenue bonds, completing \$1 billion in financing for the Regional Measure 1 bridge improvement program approved by the region's voters in 1988.

November

Culminating an 18-month public outreach and plan-development period, MTC releases the *Draft Transportation 2030 Plan*, which is built around the theme of "Mobility for the Next Generation."



Bay Area voters approve transportation funding measures totaling \$5.4 billion, benefiting scores of transportation projects around the region. (See pages 6–11.)



<p>February</p> <p>A delegation of MTC staff and commissioners makes the rounds in Sacramento, urging legislators to reject transportation budget cuts and explore new financing options.</p> 	<p>March</p> <p>Bay Area voters approve Regional Measure 2, raising tolls on the seven state-owned bridges by \$1 to fund a \$1.5 billion program of congestion-relieving projects and underwrite up to \$1.6 billion in project operating costs over a 35-year period. (See page 5.)</p> 	<p>April</p> <p>The Intelligent Transportation Society of America honors MTC's 511 Traveler Information Service as the nation's "Best New Product, Service or Application." Meanwhile, 511's recently introduced DrivingTimes™ feature—which utilizes intelligent technology to calculate how long it will take to get from point A to point B—catches on with Bay Area drivers.</p> 
<p>Fruitvale Village—a model mixed-use, high-density, transit-oriented development partially funded by MTC's Transportation for Livable Communities (TLC) Program—opens in Oakland.</p> 	<p>June</p> <p>MTC's effort to involve the public in the development of the Transportation 2030 Plan wins a Transportation Excellence Award from federal authorities. The agency's Low Income Flexible Transportation (LIFT) Program is similarly honored for helping to improve access to essential services.</p> 	<p>July</p> <p>MTC awards nearly \$50 million in the first round of allocations under the new Regional Measure 2 Program approved by voters in March. Of this, \$5.7 million will go toward purchasing and refurbishing historic streetcars for S.F. Muni's new E-Embarcadero line.</p> 
<p>September</p> <p>MTC joins with the Bay Area Air Quality Management District to offer free morning-commute rides on BART on Spare the Air days. This innovative pilot program boosts BART's daily ridership by 40,000 riders in its first two days of existence.</p> 	<p>Transportation for Livable Communities: Works in Progress</p>  <p><i>Transportation for Livable Communities: Works in Progress</i> is published, spotlighting some of the 129 community-oriented transportation projects that MTC has funded since 1998 as part of its innovative TLC Program.</p>	<p>Caltrain's Baby Bullet express train service from San Jose to San Francisco wins the Grand Award at MTC's 26th Awards Program. The new rail service is among 14 individuals, organizations and projects to be honored for contributions to Bay Area transportation.</p> 
<p>December</p> <p>The 511 Traveler Information Service logs its 5 millionth call, just days after celebrating its second full year of service. MTC congratulates Rachel Garcia of Concord—who phones 511 regularly to check traffic conditions on East Bay freeways—as the symbolic 5 millionth caller.</p> 	<p>On the heels of approving \$500,000 in TLC planning grants in November, MTC approves another \$18.4 million in TLC capital grants to foster transit-, pedestrian- and bike-friendly communities.</p> 	 <p>MTC cosponsors (with the U.S. Environmental Protection Agency and others) the "Faster Freight, Cleaner Air" conference in Oakland. MTC's <i>Regional Goods Movement Study</i> is released in conjunction with the event.</p>

MTC Allocations to local agencies and jurisdictions for fiscal year 2003–04

Recipients	Local/Regional				
	Transportation Development Act				AB 1107 ^(a)
	Transit Operations ^(c)	Transit Capital ^(c)	Streets and Roads	Pedestrian and Bicycle	Transit Operations
Transit Agencies					
Alameda-Contra Costa Transit District (AC Transit)	\$ 49,187,496	\$ —	\$ —	\$ —	\$28,526,402
Bay Area Rapid Transit District (BART)	—	—	—	—	—
Caltrain/Joint Powers Board	—	—	—	—	—
Central Contra Costa Transit Authority (County Connection)	13,149,678	332,144	—	—	—
Eastern Contra Costa Transit Authority (Tri Delta Transit)	6,944,761	454,000	—	—	—
Fairfield/Suisun City Flyer	1,951,773	1,895,535	—	—	—
Golden Gate Bridge, Highway & Transportation District	13,395,231	—	—	—	—
Livermore/Amador Valley Transit Authority (WHEELS)	6,446,867	—	—	—	—
Napa Valley VINE	4,261,156	97,000	—	—	—
San Francisco Municipal Railway (Muni)	27,430,399	—	—	—	28,526,402
San Mateo County Transit District (SamTrans)	26,993,456	—	—	—	—
Santa Clara Valley Transportation Authority (VTA)	64,993,308	—	—	—	—
Santa Rosa CityBus	3,054,306	1,680,000	—	—	—
Sonoma County Transit	7,354,233	99,109	—	—	—
Union City Transit	1,528,029	231,060	—	—	—
Vallejo Transit	4,225,609	125,000	—	—	—
Western Contra Costa Transit Authority (WestCAT)	1,271,324	—	—	—	—
Subtotal	\$232,187,626	\$4,913,848	\$ —	\$ —	\$57,052,804
Counties/Regional Agencies					
Alameda County ^(f)	36,708	—	—	1,621,551	—
Contra Costa County ^(f)	—	—	—	453,100	—
Marin County ^(f)	—	—	—	624,486	—
Napa County ^(f)	—	—	—	197,000	—
City and County of San Francisco ^(f)	—	—	—	704,000	—
San Mateo County ^(f)	—	—	—	1,125,146	—
Santa Clara County ^(f)	—	—	—	1,382,928	—
Solano County ^(f)	3,315,574	1,149,765	2,154,576	310,000	—
Sonoma County ^(f)	1,235,347	25,000	—	674,695	—
Metropolitan Transportation Commission	—	—	—	—	—
Association of Bay Area Governments	—	—	—	—	—
Subtotal	\$ 4,587,629	\$1,174,765	\$2,154,576	\$7,092,906	\$ —
Regional Total	\$236,775,255	\$6,088,613	\$2,154,576	\$7,092,906	\$57,052,804

(a) Revenues from a half-cent sales tax collected in Alameda, Contra Costa and San Francisco counties.

(b) Includes community transit operating and capital funds.

(c) Includes Transportation Development Act Articles 4.5 and 8 community transit programs.

(d) Allocations are from State Unrestricted Reserve Funds, provided by Caltrans.

(e) SamTrans claims these funds on behalf of the Caltrain/Joint Powers Board.

Toll Bridge Revenues			State		Subtotals			Total
Transit Operations ^(d)	Transit Capital		Transit Operations	Transit Capital	Transit Operations	Transit Capital	Other Capital	
\$ —	\$ 4,851,374	\$ 9,960,344	\$ —	\$ —	\$ 87,674,242	\$ 4,851,374	\$ —	\$ 92,525,616
—	18,453,160	—	—	—	—	18,453,160	—	18,453,160
—	—	—	2,189,644 ^(e)	—	—	2,189,644	—	2,189,644
—	1,935,958	981,999	—	—	14,131,677	2,268,102	—	16,399,779
—	842,004	1,142,309	—	—	8,087,070	1,296,004	—	9,383,074
—	—	200,000	396,119	—	2,151,773	2,291,654	—	4,443,427
—	—	2,260,576	—	—	15,655,807	—	—	15,655,807
—	707,265	302,314	—	—	6,749,181	707,265	—	7,456,446
—	—	259,853	—	—	4,521,009	97,000	—	4,618,009
—	4,278,574	12,033,587	—	—	67,990,388	4,278,574	—	72,268,962
—	324,000	891,611	—	—	27,885,067	324,000	—	28,209,067
—	—	4,413,681	—	—	69,406,989	—	—	69,406,989
—	—	298,593	—	—	3,352,899	1,680,000	—	5,032,899
—	—	448,451	—	—	7,802,684	99,109	—	7,901,793
—	65,947	332,378	—	—	1,860,407	297,007	—	2,157,414
1,619,286	1,911,351	382,151	—	—	6,227,046	2,036,351	—	8,263,397
—	1,161,390	1,018,084	—	—	2,289,408	1,161,390	—	3,450,798
\$1,619,286	\$34,531,023	\$34,925,931	\$2,585,763	\$—	\$325,785,647	\$42,030,634	\$—	\$367,816,281
1,100,374	487,600	—	—	—	1,137,082	487,600	1,621,551	3,246,233
—	—	—	—	—	—	—	453,100	453,100
—	—	—	—	—	—	—	624,486	624,486
—	—	—	—	—	—	—	197,000	197,000
—	—	—	—	—	—	—	704,000	704,000
—	—	—	—	—	—	—	1,125,146	1,125,146
—	—	—	—	—	—	—	1,382,928	1,382,928
—	—	570,087	55,000	—	3,885,661	1,204,765	2,464,576	7,555,002
—	—	89,025	—	—	1,324,372	25,000	674,695	2,024,067
—	—	1,812,000 ^(g)	339,000 ^(g)	—	1,812,000	339,000	—	2,151,000
140,000 ^(h)	—	—	—	—	140,000	—	—	140,000
\$1,240,374	\$ 487,600	\$ 2,471,112	\$ 394,000	\$ —	\$ 8,299,115	\$ 2,056,365	\$9,247,482	\$ 19,602,962
\$2,859,660	\$35,018,623	\$37,397,043	\$2,979,763	\$—	\$334,084,762	\$44,086,999	\$9,247,482	\$387,419,243

(f) Includes funding for cities, counties and local transportation agencies that are not listed separately above.

(g) Allocations fund MTC-sponsored regional programs to improve coordination of and access to transit services; programs include TransLink® transit-fare smart card, Low Income Flexible Transportation (LIFT) Program, and others.

(h) Bridge-toll-funded pedestrian and bicycle allocations.

Financial Highlights for fiscal year 2003-04

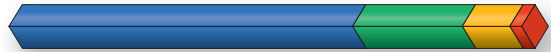
Metropolitan Transportation Commission MTC



Revenues

State Grants	\$ 45,820,602
Federal Funds	30,979,398
Transfers From Other Funds	26,297,739
Transfers From Reserves	17,099,271
Sales Taxes	9,087,510
Project Grants From Local Agencies	6,430,166
Interest Income	1,089,784

Total Revenue **\$136,804,470**



Expenses

Allocations (by Fund Source):	
State Transit Assistance	\$ 38,618,599
AB 664 Net Toll Revenue Reserves	24,485,513
Express Bus Program	3,980,000
Other	24,601,497
Professional Fees	29,272,127
Salaries & Benefits	12,698,204
Other Expenditures	3,148,530

Total Expenses **\$136,804,470**

Bay Area Toll Authority BATA



Revenues

Operating Revenues:	
Toll Revenue Receipts	\$145,176,202
Other Revenues	1,921,670
Non-Operating Revenues:	
Interest Income/Sale of Investments	11,007,091
Caltrans Operating Grant	478,047
Total Revenue	158,583,010
Equity Contributions From Reserves	316,182,837

Total Revenue & Equity Contributions **\$474,765,847**



Expenses

Operating Expenses:	
State of California, Caltrans	\$ 44,456,244
Professional Fees	1,863,054
Salaries and Benefits	1,101,243
Depreciation/Other	607,803
Non-Operating Expenses:	
Interest Expense	26,663,420
Operating Transfers to MTC	25,163,318
Capital Transfers:	
State of California, Caltrans	370,934,046
Other Agencies	3,976,719

Total Expenses/Transfers **\$474,765,847**

Service Authority for Freeways and Expressways SAFE



Revenues

Caltrans Grants	\$ 5,931,195
Registration Fees	5,839,026
Interest Income	177,697
Federal Grants	109,432
Transfers From BATA	70,000
Other	199,245

Total Revenue **\$ 12,326,595**



Expenses

Towing Contracts	\$ 6,936,786
Depreciation/Communications/Other	1,572,112
Transfers to MTC	1,134,421
Ongoing Maintenance	952,485
Professional Fees	722,339
Salaries and Benefits	685,695
Increase in Reserves	322,757

Total Expenses/Transfers **\$ 12,326,595**

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Report of Independent Auditors

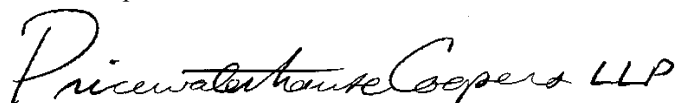
To the Commissioners
Metropolitan Transportation Commission

In our opinion, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Metropolitan Transportation Commission (MTC) which collectively comprise MTC's basic financial statements, as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, at June 30, 2004 and 2003, and the respective changes in financial position and cash flows, where applicable thereof for the years then ended, and the respective budgetary comparison for the General Fund, Transit Reserve Fund, Rail Extension Reserve Fund, AB 664 Net Toll Revenue Reserve Fund, Exchange Fund, State Transit Assistance Fund and the Feeder Bus Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the MTC's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinions.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2004 on our consideration of MTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants for the year ended June 30, 2004. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 2 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental schedules on pages 65 through 83 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



October 7, 2004

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2004 and 2003

Management's Discussion and Analysis (unaudited)

Management's Discussion and Analysis

This section presents a discussion of the results of operations and financial performance of Metropolitan Transportation Commission (MTC), its blended component units, and fiduciary funds for the year ended June 30, 2004.

The fiscal year 2004 was a year of mixed results for MTC. MTC's general fund still incurred an operating deficit while there was a surplus in the MTC SAFE and BATA. The Bay Area economy improved a bit from the previous year with the region's sales tax revenue having a slight increase after two straight declining years. Despite only a small increase in the overall economy, there were highlights during the fiscal year as well. Several programs that made significant progress during this current year are as follows:

- The Transportation 2030 plan is a 25-year transportation policy and spending blueprint for the nine-county San Francisco Bay Area. This plan and document was a huge undertaking during the year and involved many community participants and the region's transit partners. The culmination of this effort will result in a draft of the Transportation 2030 Plan to be released in the fall of 2004 with the final approval slated for early 2005.
- BATA assumed management of the FasTrak Regional Customer Service Center (RCSC) from Caltrans effective April 2004. The FasTrak RCSC project is a partnership between BATA, Golden Gate Bridge, Highway and Transportation District (GGBHTD) and Caltrans to consolidate the FasTrak service center operations. The contractor will merge the two service centers next year into a single facility with a single software system.
- The Carquinez bridge was completed and opened to the public in October 2003. This is the new westbound I-80 span built with Regional Measure 1 toll funds.
- The Bay Area voters approved the Regional Measure 2 ballot in March 2004. This measure increases the bridge toll revenue for the seven bridges in the Bay Area maintained by Caltrans by one dollar effective July 1, 2004. This dollar is designated for a list of projects to reduce traffic congestion in the region.
- The 511 program received a couple of significant recognition awards. The 511 Traveler Information project received the American Public Transportation Association's APTA Innovation Award in 2003 for being the nation's most fully implemented 511 system and serving as a model for other metropolitan areas. This program also won a Transportation management 'Tranny' award for the California Transportation Foundation also in 2003.

(Except as otherwise stated, all amounts described below are expressed in thousands of dollars - 000 removed)

A. Financial Highlights

The net assets decreased in each of the last two years with a \$325,265 or 96.7 percent decrease for 2004 and a \$247,204 or 42.4 percent decrease for 2003. The decreases are primarily the result of planned project drawdowns in the BATA Regional Measure 1 (RM 1) program.

Net assets in the governmental funds also decreased in each of the last two years with a \$9,406 or 5.7 percent decrease for 2004 compared to a \$4,296 or 2.6 percent decrease for 2003 as reported under the accrual basis of accounting. Net assets in the governmental funds also decreased for the last two years with a \$17,099 or 14.1 percent decrease for 2004 compared to a \$11,488 or 8.7 percent decrease for 2003 as reported under the modified accrual basis of accounting.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2004 and 2003

Management's Discussion and Analysis (unaudited), *continued*

At June 30, 2004 fiscal year, the general fund unrestricted reserves were \$4,133 or 7.5 percent of total general fund expenditures. The general fund unrestricted reserves at June 30, 2003 fiscal year were \$1,953 or 2.2 percent of the total general fund expenditures. The unreserved general fund balance increased by \$2,180 or 111.6 percent in fiscal 2004 mainly due to a decrease in restricted reserves.

B. Overview of Government-Wide Financial Statements

The government-wide financial statements provide an overview of MTC and its blended component units. The government-wide financial statements comprise a Statement of Net Assets, a Statement of Activities, and accompanying footnotes. The Statement of Net Assets presents information on the government-wide change in assets and liabilities of MTC during the 2004 fiscal year. The difference between the assets and liabilities is reported as "Net Assets". The Statement of Activities presents government-wide information showing the change in net assets resulting from revenues earned and expenses incurred during the 2004 and 2003 fiscal years. All changes in net assets are recorded as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The government-wide financial statements distinguish business-type activities, which recover a significant portion of costs from user fees or charges, and from governmental activities that are principally supported by grants, contributions, taxes and inter-governmental sources.

MTC is composed of governmental and business-type funds. The governmental funds comprise the general fund and the special revenue funds. The business or proprietary funds are BATA and MTC SAFE. These funds are further described on pages 42-43 of the footnotes to the financial statements.

The government-wide Statement of Net Assets and Statement of Activities are presented on pages 13-16 of this report with the accompanying footnotes being presented on pages 38-63.

C. Overview of the Fund Financial Statements

i.) Governmental Funds

Governmental funds are used to account for the MTC activities supported by grants, contributions, sales taxes, and inter-governmental revenue sources. These funds focus on the annual inflows and outflows of resources as well as on the balance of resources available to be spent at fiscal year end rather than the longer term focus of governmental activities as seen in the government-wide financial statements. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison of governmental funds to governmental activities.

MTC's governmental funds include a general fund and six special revenue funds. These funds are presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The general fund and six of these special revenue funds are considered to be major funds. The financial statements of the governmental funds, prepared under the modified accrual basis of accounting are on pages 17-21 of this report.

MTC adopts annual budgets for all funds. However, a comparison of budget-to-actual is required only for the governmental funds and is presented in these financial statements on pages 22-28 of this report.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2004 and 2003

Management's Discussion and Analysis (unaudited), *continued*

ii) Proprietary Funds

Proprietary funds are used to report business-type activities. MTC has two proprietary funds, BATA and SAFE. These funds are presented as blended component units of MTC on the government-wide financial statements. BATA oversees the administration of toll collection and maintenance activities for the seven state-owned bridges in the San Francisco Bay Area, as well as administers the RM 1 capital improvement program approved by the voters in 1988. SAFE administers a freeway motorist aid system providing tow truck and call box services to stranded motorists in the nine Bay Area counties.

The financial statements of the proprietary funds are prepared on an accrual basis and are on pages 29-36.

iii) Fiduciary Funds

Fiduciary funds are used to account for resources held in a trust or agent capacity for the benefit of parties outside MTC. These funds are not reflected in the government-wide financial statements, as the resources cannot be used to support the programs of MTC or those of its component units. The fiduciary funds of MTC use the economic resources measurement focus and the accrual basis of accounting.

MTC reports on two fiduciary funds, Transportation Development Act (TDA) and BART Half Cent Sales Tax (AB1107) funds. Revenue for each of these funds are derived from sales tax revenues. The revenues for the TDA fund are deposited with the respective treasurer in each of the nine counties in the region. The revenues for the AB1107 fund are deposited with the State of California. MTC has administrative oversight for the allocation of these funds.

The fiduciary funds financial statements are presented on page 37 of this report.

D. Notes to the Financial Statements

The notes to the financial statements, beginning on page 38, provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

E. Government-wide Financial Analysis

Total government-wide assets exceeded liabilities for fiscal 2004 by \$11,134 and by \$336,399 for fiscal 2003 as illustrated in the following table. This represents a decrease in net assets for fiscal 2004 of \$325,265 and a decrease of \$247,204 for fiscal 2003.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2004 and 2003
Management's Discussion and Analysis (unaudited), *continued*

i.) Statement of Net Assets

The following table shows the MTC's government-wide statements of net assets for the last 3 years:

Metropolitan Transportation Commission's Changes in Net Assets (\$000)									
	Governmental			Business Type			Total		
	Activities			Activities					
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Cash and investments	\$ 105,502	\$ 116,771	\$ 100,833	\$ 623,333	\$ 863,450	\$ 775,854	\$ 728,835	\$ 980,221	\$ 876,687
Receivables	13,248	29,318	43,066	18,866	37,636	44,556	32,114	66,954	87,622
Other assets	467	508	406	8,060	8,414	5,127	8,527	8,922	5,533
Loan to other agencies	47,810	39,935	32,440	4,400	2,003	2,003	52,210	41,938	34,443
Capital assets	2,945	3,146	3,466	1,741	2,137	1,274	4,686	5,283	4,740
Total assets	169,972	189,678	180,211	656,400	913,640	828,814	826,372	1,103,318	1,009,025
Long term debt, net	-	-	-	701,161	701,245	401,329	701,161	701,245	401,329
Other Liabilities	15,325	25,626	11,863	98,752	40,048	12,230	114,077	65,674	24,093
Total liabilities	15,325	25,626	11,863	799,913	741,293	413,559	815,238	766,919	425,422
Net assets:									
Invested in capital assets,									
net of related debt	2,946	3,146	3,466	1,886	2,137	1,274	4,832	5,283	4,740
Restricted	116,532	123,857	101,516	175,000	130,000	125,000	291,532	253,857	226,516
Unrestricted	35,169	37,049	63,366	(320,399)	40,210	288,981	(285,230)	77,259	352,347
Total net assets	\$ 154,647	\$ 164,052	\$ 168,348	\$ (143,513)	\$ 172,347	\$ 415,255	\$ 11,134	\$ 336,399	\$ 583,603

Total restricted assets increased by \$38,125 or 15.0 percent for fiscal 2004 and \$26,891 or 11.9 percent for fiscal 2003. The net increase for the year 2004 includes a \$45,000 increase from the business type activities for the bond covenant reserve requirement for the operating and maintenance reserve for the BATA bonds. The governmental activities had a decrease of \$9,851 in encumbrances during this same period. The unrestricted net assets show a total of negative \$285,230. Of this amount, negative \$345,325 is attributable to BATA, included in the business type activities.

BATA is the financing arm for the Regional Measure 1 program where the project work construction is being managed by Caltrans. To date, the debt issued for this work is \$700,000. The cash proceeds from this debt are used to reimburse Caltrans for capital construction costs. Since the bridges are not capitalized in BATA, since title remains with Caltrans, the distributions to Caltrans are creating a negative asset. BATA does not have sufficient current resources on hand to fund current and long-term liabilities; however, future toll revenues are pledged to cover debt service payments when made. This information is more fully disclosed in note 2 on page 47 of this report.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2004 and 2003
Management's Discussion and Analysis (unaudited), *continued*

ii) Statement of Activities

MTC's net assets for governmental activities decreased the last two years by \$9,406 or 5.7 percent for fiscal 2004 and a \$4,296 or 2.6 percent for fiscal 2003. A breakdown of this activity is illustrated in the table below:

Metropolitan Transportation Commission's Changes in Net Assets (\$000)									
	Governmental Activities			Business Type Activities			Total		
	2004	2003	2002	2004	2003	2002	2004	2003	2002
Revenues:									
Program revenues:									
Charges for services	\$ -	\$ -	\$ -	\$ 152,937	\$ 151,914	\$ 150,128	\$ 152,937	\$ 151,914	\$ 150,128
Operating grants and contributions	49,974	48,068	47,069	6,718	7,074	7,068	56,692	55,142	54,137
Capital grants and contributions	42,344	72,345	64,472	-	-	-	42,344	72,345	64,472
General revenues:									
Investments earnings	1,090	1,764	4,375	11,185	25,793	45,598	12,275	27,557	49,973
Total revenues	93,408	122,177	115,916	170,840	184,781	202,794	264,248	306,958	318,710
Expenses:									
General government	47,238	48,571	45,895	-	-	-	47,238	48,571	45,895
Allocations to other agencies	81,873	105,152	92,787	-	-	-	81,873	105,152	92,787
Toll bridge activities	-	-	-	451,930	390,063	347,029	451,930	390,063	347,029
Congestion relief	-	-	-	10,869	10,376	9,251	10,869	10,376	9,251
Total expenses	129,111	153,723	138,682	462,799	400,439	356,280	591,910	554,162	494,962
Decrease in net assets before transfers	(35,703)	(31,546)	(22,766)	(291,959)	(215,658)	(153,486)	(327,662)	(247,204)	(176,252)
Transfers in (out)	26,298	27,250	27,013	(26,298)	(27,250)	(27,013)	-	-	-
Contributed capital	-	-	-	2,397	-	-	2,397	-	-
Increase (decrease) in net assets	(9,405)	(4,296)	4,247	(315,860)	(242,908)	(180,499)	(325,265)	(247,204)	(176,252)
Net assets Beginning	164,052	168,348	164,101	172,347	415,255	595,754	336,399	583,603	759,855
Net assets Ending	\$ 154,647	\$ 164,052	\$ 168,348	\$ (143,513)	\$ 172,347	\$ 415,255	\$ 11,134	\$ 336,399	\$ 583,603

Capital grants and contributions decreased in fiscal 2004 by \$30,001 or 41.5 percent compared to an increase in fiscal 2003 of \$7,873 or 12.2 percent. This is mainly due to the Regional Express Bus Program. The revenue in fiscal 2004 for this program was \$3,980 compared to \$34,952 for fiscal 2003 as this 40 million dollar program nears completion.

Investment earnings decreased in fiscal 2004 by \$15,282 or a 55.5 percent and decreased by \$22,416 or 44.9 percent in fiscal year 2003. This continued decline is due to cash drawdowns in the BATA operations for ongoing bridge construction.

Allocations to other agencies decreased by \$23,279 or 22.1 percent in fiscal 2004 compared to an increase in fiscal 2003 of \$12,365 or 13.3 percent. The fiscal 2004 decrease is mainly due to allocations expense in two funds. Allocations expense increased for the AB664 fund by \$13,271 and the STA fund had a decrease of \$ \$30,972 for the Regional Express Bus program.

Toll bridge activities increased by \$61,867 or 15.9 percent versus an increase of \$43,034 or 12.4 percent in fiscal 2003. The fiscal 2004 toll bridge activities increase is due primarily to interest expense, and capital and operating expenses incurred by Caltrans.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2004 and 2003
Management's Discussion and Analysis (unaudited), *continued*

F. Financial Analysis of Business-Type Activities

The following table shows the results of operations for the last three years.

<u>Business Type Funds (\$000)</u>	2004	2003	2002
Revenues:			
Toll revenues collected by Caltrans	\$ 145,176	\$ 144,200	\$ 142,337
Other operating revenues	7,960	7,734	7,797
Total revenues	153,136	151,934	150,134
Operating expenses:			
Operating expenses incurred by Caltrans	44,456	35,717	29,277
Other operating expenses	14,442	13,495	12,408
Total operating expenses	58,898	49,212	41,685
Operating income/(loss)	94,238	102,722	108,449
Non-operating revenues/(expenses)			
Interest income	11,185	25,697	45,532
Interest expense	(26,663)	(20,441)	(13,358)
Other	6,518	7,150	7,128
	(8,960)	12,406	39,302
Income before operating and capital transfers	85,278	115,128	147,751
Transfers	(26,298)	(27,250)	(27,012)
Net income before capital transfers	58,980	87,878	120,739
Distributions/Contributions	(377,237)	(330,786)	(301,238)
Net assets before capital contribution	(318,257)	(242,908)	(180,499)
Contributed capital	2,397	-	-
Change in net assets	(315,860)	(242,908)	(180,499)
Total net assets - beginning	172,347	415,255	595,754
Total net assets - ending	\$ (143,513)	\$ 172,347	\$ 415,255

Toll revenue for the seven bridges increased nominally for the last two years. It increased by \$976 or .7 percent in fiscal 2004 compared to \$1,863 or 1.3 percent for the fiscal 2003. The increase for both years resulted from a nominal increase in vehicle traffic. See schedules 7-15 of this report for more detail on toll revenue by bridge and vehicle count.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2004 and 2003
Management's Discussion and Analysis (unaudited), *continued*

Operating expenses incurred by Caltrans increased for both years. The increase for the fiscal year 2004 was \$8,739 or 24.5 percent while the increase for fiscal year 2003 was \$6,440 or 22.0 percent. The increase in fiscal 2004 was due to several cost factors. Caltrans had to pay for overtime to toll collectors due to a hiring freeze by the State. Maintenance costs increased due to the warranty expiring on the ETC center. An additional amount of \$478 of costs is related to operating the ETC Center for GGBHTD. This amount is offset in other operating revenue as a reimbursement from GGBHTD for these costs.

Interest income decreased the last two years by \$14,512 or 56.5 percent for fiscal 2004 and by \$19,835 or 43.6 percent for fiscal 2003. This is expected due to a reduction in cash balances due to the ongoing bridge construction. The cash balance will be increased by 300 million upon the last debt issuance for the RM 1 program in the fall of 2004.

Interest expense increased the last two years. It increased by \$6,222 or 30.4 percent for fiscal 2004 and \$7,083 or 53.0 percent in fiscal year 2003. The fiscal 2004 increase is due primarily to the interest expense on the Series 2003 bonds. The interest expense in fiscal 2004 for the Series 2003 bonds was \$9,486 and it was \$3,288 in fiscal 2003. Fiscal year 2004 included a full year's worth of interest on these bonds and fiscal 2003 had 4 months of interest as this debt was issued in March 2003.

G. Financial Analysis of Governmental Activities

The fund balance of the MTC governmental funds was \$103,928 and \$121,027 for fiscal years 2004 and 2003 respectively, as reported under the modified accrual basis of accounting. The fund balance includes reserved and unreserved funds. Of the fund balance, an amount of \$51,490 is reserved for encumbrances for fiscal 2004 and \$61,340 for fiscal 2003. A reserve of \$31,072 and \$35,601 for fiscal 2004 and 2003, respectively, is to be used for purposes specific to the special revenue funds. An amount of \$17,233 of the fund balance for 2004 and \$22,133 for 2003 has been reserved for specific Commission or other legal purposes. The remaining balance of \$4,133 for 2004 and \$1,953 for 2003 represents unreserved funds available for appropriation at the government's discretion.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2004 and 2003
Management's Discussion and Analysis (unaudited), *continued*

The following table illustrates the revenues and expenditures for the past two fiscal years. Refer to page 21 for a reconciliation between the governmental funds to the Statement of Activities.

	Governmental Funds (\$000)		
	2004	2003	2002
Revenues:			
Sales taxes	\$ 9,088	\$ 8,903	\$ 9,327
Grants- Federal	30,979	28,129	24,334
Grants- State and other agencies	52,251	83,381	77,881
Investment income	1,090	1,764	4,374
Total revenues	93,408	122,177	115,916
Expenditures:			
Current:			
General government	44,958	48,211	45,502
Allocations to other agencies	91,681	112,648	100,528
Capital outlay	166	56	209
Total expenditures	136,805	160,915	146,239
Transfers in	26,298	27,250	27,013
Net change in fund balance	(17,099)	(11,488)	(3,310)
Fund balance - beginning	121,027	132,515	135,825
Fund balance - ending	\$ 103,928	\$ 121,027	\$ 132,515

MTC's sales tax revenue increased after two declining years, with fiscal 2001 being at a record high. The increase for fiscal 2004 was \$185 or 2.1 percent whereas fiscal 2003 had a decrease of \$424 or 4.5 percent. The decrease in state and other agencies revenue was \$31,130 or 37.3 percent for fiscal 2004. There was an increase in fiscal 2003 of \$5,500 or 7.1 percent. The forty million dollar Express Bus Program had revenue of \$3,980 in fiscal 2004 and revenue of \$34,952 for fiscal 2003.

Total expenditures decreased in fiscal 2004 by \$24,110 or 15.0 percent and increased in fiscal 2003 by \$14,676 or 10.0 percent. Allocations to other agencies decreased in 2004 by \$20,967 which was due primarily to two programs. First, allocations to other agencies decreased in fiscal 2004 by \$30,972 for the Express Bus Program. Second, the AB664 fund had an increase in allocations to other agencies of \$13,271.

Unreserved fund balances covered the deficits for fiscal years 2004 and 2003.

H. General Fund

The final fiscal year 2004 general fund revenue budget for MTC for the year was \$69,755, an increase of \$31,899 over the original budget adopted on July 1, 2003.

Metropolitan Transportation Commission
Financial Statements for the years ended June 30, 2004 and 2003
Management's Discussion and Analysis (unaudited), *continued*

The following provides a condensed view of the final budgeted results compared to actual results for the year ended June 30, 2004.

	General Fund Budget			
	Adopted Budget	Final Budget	Actual	Variance
Revenues	\$ 37,866	\$ 69,755	\$ 48,756	\$ 20,999
Expenditures	40,305	79,840	54,926	24,914
Excess/(Deficiency)	(2,439)	(10,085)	(6,170)	(3,915)
Transfer in	1,673	6,009	3,401	2,608
Net change in fund balance	(766)	(4,076)	(2,769)	(1,307)
Fund balance - beginning	27,212	27,212	27,212	-
Fund balance - ending	\$ 26,446	\$ 23,136	\$ 24,443	\$ (1,307)

The principal reason for the increase in the final budget from the adopted budget was due to a carryover of prior year funding.

The expenditures in the final budget increased over the adopted budget due to prior year encumbrances being brought forward.

MTC's federal and state funding sources are on a reimbursement basis so it is not unusual for revenue to lag behind the budget. Expenditures were also well below budget, with a net deficit of \$2,769 after transfers.

The general fund's fund balance decreased by \$2,769 at June 30, 2004 due to an increase in general government expenditures.

I. Fiduciary Funds

The following table illustrates the results of the fiduciary funds for the past three fiscal years.

	Fiduciary Funds (\$000)					
	TDA Fund		2002	AB1107 Fund		2002
	2004	2003		2004	2003	
Additions:						
Local Transportation Fund	\$ 259,643	\$ 254,381	\$ 266,473	\$ -	\$ -	\$ -
AB1107 Fees	-	-	-	56,937	55,819	57,601
Investment Income	1,326	1,908	3,763	126	121	755
Total Revenues	260,969	256,289	270,236	57,063	55,940	58,356
Deductions:						
Allocations	247,706	231,734	325,552	57,053	64,820	61,957
Administrative Expenses	9,889	9,712	10,185	-	-	-
Total Expenditures	257,595	241,446	335,737	57,053	64,820	61,957
Net of Additions over (under)						
Deductions	\$ 3,374	\$ 14,843	\$ (65,501)	\$ 10	\$ (8,880)	\$ (3,601)

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2004 and 2003

Management's Discussion and Analysis (unaudited), *continued*

The sales tax revenue increased by a \$5,262 or 2.1 percent increase in fiscal 2004 year as compared with \$12,092 or 4.5 percent decrease for the fiscal 2003 year. The region's sales tax revenue increased after two years of decline following the record sales tax revenue in 2001. The increase in allocations expense for fiscal 2004 by \$15,972 or 6.9 percent is attributable to an increase in the sales tax revenue and some of the reserves being used for five of the nine counties as shown on Schedule 17 of this report. Sales tax revenue for the AB1107 fund increased by a \$1,118 or 2.0 percent in fiscal 2004 compared to a decrease of \$1,782 or 3.1 percent from fiscal 2003.

J. Capital Asset Administration

MTC's investment in capital assets for all funds, governmental and proprietary is \$4,686 for fiscal 2004 and \$5,283 for fiscal 2003 as reported under the accrual basis of accounting. This investment in capital assets includes furniture and equipment, as well as improvements to the SAFE Callbox system. Total purchases for fiscal 2004 were \$181 as compared to \$1,393 for fiscal 2003. There were \$1,337 of callboxes purchased in fiscal 2003 for the San Mateo-Hayward Bridge after completion of the bridge widening project. Assets relating to the seven state-owned bridges administered by BATA are recorded with Caltrans.

Additional information on the MTC's capital assets is disclosed in note 4 on pages 50-51 of this report.

K. Long-Term Debt Administration

The only long-term debt issued by MTC is \$700 million (actual dollars) in bridge toll revenue bonds issued by BATA as part of its \$2.1 billion (actual dollars) RM-1 bridge construction and rehabilitation program. The following is a summary of the debt and interest rate swap transactions in place at June 30, 2004. All values are in actual dollars:

In January 2001, BATA completed the first \$400 million phase of a planned \$1 billion dollar construction funding program. The 2001 financing consisted of \$300 million variable rate debt with \$100 million in fixed rate debt. The floating rate bonds have a final maturity of 2036 and the fixed rate bonds have a final maturity of 2018.

In May 2001, BATA completed a \$300 million, 35 year, floating-to-fixed rate swap with three counterparties: AMBAC-FS LLP – \$150 million, CitiCorp and Morgan Stanley – \$75 million each. BATA pays a fixed rate (ranging from 4.09% to 4.12%) and receives the actual variable rate payment for years 1 through 4 and a rate based on 65% of LIBOR in years five through 2036, the remaining term of the original financing. The AMBAC-FS LLP transaction is insured as to BATA and AMBAC-FS LLP (counter-party) default by a policy underwritten by AMBAC-Assurance Corporation.

In May 2002, BATA also completed a contract with AMBAC Financial Services to swap a future \$200 million floating rate issue to a synthetic fixed rate. The \$200 million in variable rate demand obligation bonds (VRDO) was subsequently issued in March 2003. BATA will pay a fixed payment of 4.14% and receive a floating rate payment based on 65% of the weekly LIBOR index. The transaction is insured against default, for BATA and the counter-party, by AMBAC Assurance Corporation.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2004 and 2003

Management's Discussion and Analysis (unaudited), *continued*

BATA maintains long and short-term ratings from Standard & Poor's, Fitch Ratings, as well as Moody's Investors Services. At June 30, 2004, the long term ratings are:

Standard & Poor's	AA/A1
Moody's	Aa3
Fitch	AA/F1+

In addition, both the 2001 and 2003 variable rate demand bonds carry the AAA /Aaa /AAA ratings of Standard & Poor's, Moody's and Fitch respectively by virtue of the insurance policy written by AMBAC Assurance.

Additional information on MTC's long-term debt can be found in note 5 on pages 52-58 of this report.

L. Economic Factors Impacting MTC

A general economic slowdown, which began in fiscal year 2001 continues to impact the Bay Area and transportation capacity. General factors include:

- The Bay Area job market continues to suffer from the high-tech bust, with a more solid job market in Sacramento and parts of Southern California.
- There was a slight increase in sales tax revenue. Region-wide revenue increased after two straight declining years. Sales tax revenue for fiscal 2004 increased in seven of the nine counties, and two of the other counties had relatively minor decreases from fiscal 2003.
- While federal funding has not decreased with the economic slowdown, MTC faces reauthorization of TEA 21 (renamed SAFETEA), which should increase the federal funding to MTC. This reauthorization bill has been postponed until fall 2004.
- Interest rates remained at low levels drastically reducing any potential investment earnings as a revenue source.

While these factors are critical to the region-wide transportation planning and funding which is MTC's principal task, these factors are not expected to significantly impact MTC operations nor the operations of SAFE or BATA.

Requests for information

This financial report is designed to provide a general overview of the Metropolitan Transportation Commission's financial position for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Metropolitan Transportation Commission, 101 8th Street, Oakland, Ca 94607.

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2004

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents - unrestricted	\$ 94,246,939	\$ 235,335,220	\$ 329,582,159
Cash and cash equivalents - restricted	1,126,154	-	1,126,154
Investments - unrestricted	10,128,859	212,998,032	223,126,891
Investments - restricted	-	175,000,000	175,000,000
Receivables:			
Accounts and tolls due	17,934	8,581,367	8,599,301
Interest	82,798	4,107,673	4,190,471
State funding	3,399,493	2,209,916	5,609,409
Federal funding	8,454,523	-	8,454,523
Maintenance funding	-	3,966,913	3,966,913
Indirect cost recovery	1,293,297	-	1,293,297
Prepaid items	465,821	394,946	860,767
Bond issuance costs	-	7,665,109	7,665,109
Loan to other agencies	47,810,000	4,400,000	52,210,000
Capital assets (net of accumulated depreciation)	2,945,486	1,740,928	4,686,414
Total assets	169,971,304	656,400,104	826,371,408
Liabilities			
Accounts payable and other current liabilities	12,035,980	2,069,258	14,105,238
Accrued liabilities	2,330,613	3,994,104	6,324,717
Due to / (from) other funds	(145,915)	145,915	-
Due to Caltrans	1,067,543	92,542,967	93,610,510
Noncurrent liabilities:			
Long-term capital leases:			
Due within one year	21,463	-	21,463
Due in more than one year	14,982	-	14,982
Long-term debt, net	-	701,160,994	701,160,994
Total liabilities	15,324,666	799,913,238	815,237,904
Net Assets / (Deficit)			
Invested in capital assets, net of related debt	2,945,486	1,885,998	4,831,484
Restricted for:			
Capital projects	51,489,473	-	51,489,473
Other purposes	65,042,525	175,000,000	240,042,525
Unrestricted	35,169,154	(320,399,132)	(285,229,978)
Total net assets / (deficit)	\$ 154,646,638	\$(143,513,134)	\$ 11,133,504

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Assets
June 30, 2003

	Primary Government		
	Governmental	Business-type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents - unrestricted	\$ 96,454,953	\$ 390,384,373	\$ 486,839,326
Cash and cash equivalents - restricted	5,187,787	-	5,187,787
Investments - unrestricted	15,128,313	343,065,198	358,193,511
Investments - restricted	-	130,000,000	130,000,000
Receivables:			
Accounts and tolls due	387,647	3,727,415	4,115,062
Interest	116,846	6,675,929	6,792,775
State funding	19,673,235	8,109,760	27,782,995
Federal funding	7,437,686	1,346,090	8,783,776
Maintenance funding	-	17,776,724	17,776,724
Indirect cost recovery	1,702,560	-	1,702,560
Prepaid items	508,682	490,347	999,029
Bond issuance costs	-	7,924,365	7,924,365
Loan to other agencies	39,935,000	2,002,933	41,937,933
Capital assets (net of accumulated depreciation)	3,145,598	2,137,004	5,282,602
Total assets	189,678,307	913,640,138	1,103,318,445
Liabilities			
Accounts payable and other current liabilities	19,853,439	1,408,241	21,261,680
Accrued liabilities	5,671,046	3,125,914	8,796,960
Due to/(from) other funds	46,356	(46,356)	-
Due to Caltrans	-	35,560,472	35,560,472
Noncurrent liabilities:			
Long-term capital leases:			
Due within one year	24,476	-	24,476
Due in more than one year	30,521	-	30,521
Long-term debt, net	-	701,244,921	701,244,921
Total liabilities	25,625,838	741,293,192	766,919,030
Net Assets			
Invested in capital assets, net of related debt	3,145,598	2,137,004	5,282,602
Restricted for:			
Capital projects	61,339,974	-	61,339,974
Other purposes	62,068,118	130,000,000	192,068,118
Unrestricted	37,498,779	40,209,942	77,708,721
Total net assets	\$ 164,052,469	\$ 172,346,946	\$ 336,399,415

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Statement of Activities

For the Year Ended June 30, 2004

Functions	Expenses	Primary Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government			
						Governmental Activities	Business-type Activities		
							Total		
Governmental Activities:	General government	\$ 47,237,837	-	\$ 46,497,074	\$ -	\$ 46,497,074	\$ (740,763)	\$ -	\$ (740,763)
	Transportation	81,873,193	-	3,476,702	42,343,900	45,820,602	(36,052,591)	-	(36,052,591)
	Total governmental activities	129,111,030	-	49,973,776	42,343,900	92,317,676	(36,793,354)	-	(36,793,354)
Business-type Activities:	Toll bridge activities	451,929,596	147,097,872	478,047	-	147,575,919	-	(304,353,677)	(304,353,677)
	Congestion relief	10,869,417	5,839,026	6,239,872	-	12,078,898	-	1,209,481	1,209,481
	Total business-type activities	462,799,013	152,936,898	6,717,919	-	159,654,817	-	(303,144,196)	(303,144,196)
Total primary government	\$ 591,910,043	\$ 152,936,898	\$ 56,691,695	\$ 42,343,900	\$ 251,972,493	(36,793,354)	(303,144,196)	(339,937,550)	
General revenues:									
	Unrestricted investment earnings					1,089,784	11,184,788	12,274,572	
	Contributed Capital					-	2,397,067	2,397,067	
	Transfers					26,297,739	(26,297,739)	-	
Total general revenues and transfers									
						27,387,523	(12,715,884)	14,671,639	
Change in net assets									
						(9,405,831)	(315,860,080)	(325,265,911)	
Net assets - beginning									
						164,052,469	172,346,946	336,399,415	
Net assets - ending									
						\$ 154,646,638	\$(143,513,134)	\$ 11,133,504	

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Activities
For the Year Ended June 30, 2003

	Expenses	Primary Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Program Revenues	Primary Government	
						Governmental Activities	Business-type Activities
Functions							
<i>Governmental Activities:</i>							
General government	\$ 48,570,719	\$ -	\$ 43,404,229	\$ -	\$ 43,404,229	\$ (5,166,490)	\$ -
Transportation	105,152,624	-	4,664,094	72,344,529	77,008,623	(28,144,001)	-
Total governmental activities	153,723,343	-	48,068,323	72,344,529	120,412,852	(33,310,491)	-
<i>Business-type Activities:</i>							
Toll bridge activities	390,063,272	146,105,106	305,004	-	146,410,110	-	(243,653,162)
Congestion relief	10,375,587	5,809,298	6,768,664	-	12,577,962	-	2,202,375
Total business-type activities	400,438,859	151,914,404	7,073,668	-	158,988,072	-	(241,450,787)
Total primary government	\$554,162,202	\$ 151,914,404	\$ 55,141,991	\$ 72,344,529	\$279,400,924	(33,310,491)	(241,450,787)
General revenues:							
Unrestricted investment earnings						1,764,255	25,793,353
Transfers						27,250,287	(27,250,287)
Total general revenues and transfers						29,014,542	(1,456,934)
Change in net assets						(4,295,949)	(242,907,721)
Net assets - beginning						168,348,418	415,254,667
Net assets - ending						\$164,052,469	\$172,346,946

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Balance Sheet – Governmental Funds

June 30, 2004

	MTC General	Transit Reserve	Rail Extension Reserve	AB 664 Net Toll Revenue Reserve	Exchange	STA	Feeder Bus	Total Governmental Funds
Assets								
Cash and cash equivalents - unrestricted	\$ 19,518,183	\$ 2,357,111	\$ 4,673,670	\$ 28,417,487	\$ 12,676,039	\$ 26,582,920	\$ 21,529	\$ 94,246,939
Cash and cash equivalents - restricted	1,126,154	-	-	-	-	-	-	1,126,154
Investments	176,859	-	-	9,952,000	-	-	-	10,128,859
Receivables:								
Accounts	17,934	-	-	-	-	-	-	17,934
Interest	633	-	100	32,065	-	50,000	-	82,798
State Funding	3,399,493	-	-	-	-	-	-	3,399,493
Federal Funding	8,454,523	-	-	-	-	-	-	8,454,523
Indirect cost recovery	1,293,297	-	-	-	-	-	-	1,293,297
Prepaid items	465,821	-	-	-	-	-	-	465,821
Total assets	\$ 34,452,897	\$ 2,357,111	\$ 4,673,770	\$ 38,401,552	\$ 12,676,039	\$ 26,632,920	\$ 21,529	\$ 119,215,818
Liabilities and fund balances								
Liabilities								
Accounts Payable	\$ 8,285,495	\$ 64,943	\$ -	\$ 4,543,202	\$ 74,959	\$ 134,924	\$ -	\$ 13,103,523
Accruals	2,188,600	-	200	51,408	-	90,405	-	2,330,613
Due to other funds	(463,700)	10,243	(72,091)	(26,954)	361,491	45,096	-	(145,915)
Total liabilities	10,010,395	75,186	(71,891)	4,567,656	436,450	270,425	-	15,288,221
Fund balances								
Reserved for								
Encumbrances	3,076,847	2,143,967	1,284,194	32,240,097	7,932,966	4,811,402	-	51,489,473
Other	17,232,525	-	-	-	-	-	-	17,232,525
Unreserved, reported in								
General fund	4,133,130	-	-	-	-	-	-	4,133,130
Special revenue funds	-	137,958	3,461,467	1,593,799	4,306,623	21,551,093	21,529	31,072,469
Total fund balances	24,442,502	2,281,925	4,745,661	33,833,896	12,239,589	26,362,495	21,529	103,927,597
Total liabilities and fund balances	\$ 34,452,897	\$ 2,357,111	\$ 4,673,770	\$ 38,401,552	\$ 12,676,039	\$ 26,632,920	\$ 21,529	
Amounts reported for governmental activities in the statement of net assets are different because:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds								
Capital leases are not due and payable in the current period and therefore are not reported in the funds								
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds								
Net assets of governmental activities								
								2,945,486
								(36,445)
								47,810,000
								\$ 154,646,638

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Balance Sheet – Governmental Funds

June 30, 2003

	MTC General	Transit Reserve	Rail Extension Reserve	AB 664 Net Toll Revenue Reserve	Exchange	STA	Feeder Bus	Total Governmental Funds
Assets								
Cash and cash equivalents - unrestricted	\$ 25,545,901	\$ 3,116,633	\$ 5,516,897	\$ 30,944,885	\$ 13,415,331	\$ 17,839,836	\$ 75,470	\$ 96,454,953
Cash and cash equivalents - restricted	5,187,787	-	-	-	-	-	-	5,187,787
Investments	147,313	-	-	14,981,000	-	-	-	15,128,313
Receivables:								
Accounts	31,020	-	-	-	-	-	356,627	387,647
Interest	30,000	-	5,414	29,432	-	52,000	-	116,846
State Funding	2,564,690	-	-	-	-	17,108,545	-	19,673,235
Federal Funding	7,437,686	-	-	-	-	-	-	7,437,686
Indirect cost recovery	1,702,560	-	-	-	-	-	-	1,702,560
Prepaid items	508,682	-	-	-	-	-	-	508,682
Total assets	\$ 43,155,639	\$ 3,116,633	\$ 5,522,311	\$ 45,955,317	\$ 13,415,331	\$ 35,000,381	\$ 432,097	\$ 146,597,709
Liabilities and fund balances								
Liabilities								
Accounts Payable	\$ 8,843,139	\$ 169,121	\$ -	\$ 509,945	\$ 110,485	\$ 5,008,912	\$ -	\$ 14,641,602
Accruals	2,129,138	-	126	959	-	3,540,823	-	5,671,046
Due to other funds	(240,626)	5,949	(85,098)	(113,414)	37,532	442,013	-	46,356
Other	5,211,837	-	-	-	-	-	-	5,211,837
Total liabilities	15,943,488	175,070	(84,972)	397,490	148,017	8,991,748	-	25,570,841
Fund balances								
Reserved for								
Encumbrances	3,126,010	2,476,513	2,276,406	35,731,467	7,577,393	9,867,673	284,512	61,339,974
Other	22,133,118	-	-	-	-	-	-	22,133,118
Unreserved, reported in								
General fund	1,953,023	-	-	-	-	-	-	1,953,023
Special revenue funds	-	465,050	3,330,877	9,826,360	5,689,921	16,140,960	147,585	35,600,753
Total fund balances	27,212,151	2,941,563	5,607,283	45,557,827	13,267,314	26,008,633	432,097	121,026,868
Total liabilities and fund balances	\$ 43,155,639	\$ 3,116,633	\$ 5,522,311	\$ 45,955,317	\$ 13,415,331	\$ 35,000,381	\$ 432,097	
Amounts reported for governmental activities in the statement of net assets are different because:								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds								
Capital leases are not due and payable in the current period and therefore are not reported in the funds								
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds								
Net assets of governmental activities								
								\$ 3,145,598
								(54,997)
								39,935,000
								\$ 164,052,469

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2004

	<u>General</u>	<u>Transit Reserve</u>	<u>Rail Extension Reserve</u>	<u>AB664 Net Toll Revenue Reserve</u>	<u>Exchange</u>	<u>STA</u>	<u>Feeder Bus</u>	<u>Total Governmental Funds</u>
Revenues								
Sales taxes	\$ 9,087,510	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,087,510
Grants - Federal	30,979,398	-	-	-	-	-	-	30,979,398
Grants - State	4,607,302	2,849,504	-	-	-	38,363,796	-	45,820,602
Project grants from local agencies	3,930,166	-	-	-	-	-	2,500,000	6,430,166
Investment income	151,394	38,991	100,901	469,466	111,750	214,226	3,056	1,089,784
Total revenues	48,755,770	2,888,495	100,901	469,466	111,750	38,578,022	2,503,056	93,407,460
Expenditures								
Current:								
General government	44,952,850	-	931	4,085	-	-	-	44,957,866
Allocations to other agencies	9,807,399	4,537,208	10,992,212	24,481,428	330,123	38,618,599	2,913,624	91,680,593
Capital outlay	166,011	-	-	-	-	-	-	166,011
Total expenditures	54,926,260	4,537,208	10,993,143	24,485,513	330,123	38,618,599	2,913,624	136,804,470
Excess / (deficiency) of revenues over / (under) expenditures	(6,170,490)	(1,648,713)	(10,892,242)	(24,016,047)	(218,373)	(40,577)	(410,568)	(43,397,010)
Other financing sources / uses								
Transfers in	6,257,551	989,075	10,030,620	12,292,116	-	394,439	-	29,963,801
Transfers out	(2,856,710)	-	-	-	(809,352)	-	-	(3,666,062)
Total other financing sources and uses	3,400,841	989,075	10,030,620	12,292,116	(809,352)	394,439	-	26,297,739
Net change in fund balances	(2,769,649)	(659,638)	(861,622)	(11,723,931)	(1,027,725)	353,862	(410,568)	(17,099,271)
Fund balances - beginning	27,212,151	2,941,563	5,607,283	45,557,827	13,267,314	26,008,633	432,097	121,026,868
Fund balances - ending	\$ 24,442,502	\$ 2,281,925	\$ 4,745,661	\$ 33,833,896	\$ 12,239,589	\$ 26,362,495	\$ 21,529	\$ 103,927,597

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended June 30, 2003

	<u>General</u>	<u>Transit Reserve</u>	<u>Rail Extension Reserve</u>	<u>AB664 Net Toll Revenue Reserve</u>	<u>Exchange</u>	<u>STA</u>	<u>Feeder Bus</u>	<u>Total Governmental Funds</u>
Revenues								
Sales taxes	\$ 8,903,326	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,903,326
Grants - Federal	28,128,978	-	-	-	-	-	-	28,128,978
Grants - State	36,795,447	2,821,000	-	-	-	37,392,176	-	77,008,623
Project grants from local agencies	3,874,353	-	-	-	-	-	2,497,571	6,371,924
Investment income	359,767	29,471	166,256	621,240	108,757	452,808	25,956	1,764,255
Total revenues	78,061,871	2,850,471	166,256	621,240	108,757	37,844,984	2,523,527	122,177,106
Expenditures								
Current:								
General government	48,206,145	-	1,033	4,435	-	-	-	48,211,613
Allocations to other agencies	39,946,631	4,814,154	10,584,209	11,210,000	457,823	43,491,600	2,143,206	112,647,623
Capital outlay	55,795	-	-	-	-	-	-	55,795
Total expenditures	88,208,571	4,814,154	10,585,242	11,214,435	457,823	43,491,600	2,143,206	160,915,031
Excess / (deficiency) of revenues over / (under) expenditures	(10,146,700)	(1,963,683)	(10,418,986)	(10,593,195)	(349,066)	(5,646,616)	380,321	(38,737,925)
Other financing sources / uses								
Transfers in	8,125,213	999,088	9,972,589	12,280,679	-	-	-	31,377,569
Transfers out	-	-	-	-	(91,689)	(4,035,593)	-	(4,127,282)
Total other financing sources and uses	8,125,213	999,088	9,972,589	12,280,679	(91,689)	(4,035,593)	-	27,250,287
Net change in fund balances	(2,021,487)	(964,595)	(446,397)	1,687,484	(440,755)	(9,682,209)	380,321	(11,487,638)
Fund balances - beginning	29,233,638	3,906,158	6,053,680	43,870,343	13,708,069	35,690,842	51,776	132,514,506
Fund balances - ending	\$ 27,212,151	\$ 2,941,563	\$ 5,607,283	\$ 45,557,827	\$ 13,267,314	\$ 26,008,633	\$ 432,097	\$ 121,026,868

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds to the Statement of Activities
For the Years Ended June 30, 2004 and 2003

	2004	2003
Net change in fund balances - total governmental funds (per Statement of Revenues, Expenditure and Changes in Fund Balances)	\$ (17,099,271)	\$ (11,487,638)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded non capital lease capital outlays in the current period	(200,112)	(317,193)
Proceeds from the sale of capital assets provide financial resources to governmental funds while only the gain on the sale of the capital asset is reported in the statement of activities. Therefore, the change in net assets differs from the change in fund balance by the cost of the capital asset sold.	-	(3,060)
The loan receivable from another agency is not recorded as a long-term asset in the governmental funds. Additional loan advances forwarded to the agency during the fiscal year are expensed in the governmental fund but are capitalized as a long-term asset in the statement of net assets. These amounts represent fiscal 2004 and 2003 loan advances, respectively.	7,875,000	7,495,000
Principal repayment on capital leases in an expenditure in the governmental funds, however the principal element of the repayment reduces long-term liabilities in the statement of net assets. This amount is the effect of the differing treatment of capital lease principal repayment.	18,552	16,942
Change in net assets of governmental activities (per Statement of Activities)	\$ (9,405,831)	\$ (4,295,949)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – General Fund
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	
Revenues			
Sales taxes for planning activities	\$ 9,185,279	\$ 9,185,279	\$ (97,769)
Grants - Federal	19,900,536	45,905,775	(14,926,377)
Grants - State	3,409,606	8,151,297	(3,543,995)
Project grants from state and local agencies	2,976,228	3,627,467	302,699
Investment income	600,000	600,000	(448,606)
Other	1,794,450	2,284,542	(2,284,542)
Total revenues	37,866,099	69,754,360	(20,998,590)
Expenditures			
Current:			
General government	34,100,525	69,262,588	24,309,738
Allocations to other agencies	5,679,434	9,952,452	145,053
Capital outlay	525,000	625,000	458,989
Total expenditures	40,304,959	79,840,040	24,913,780
Deficiency of revenues under expenditures	(2,438,860)	(10,085,680)	3,915,190
Other financing sources			
Transfers in	1,672,597	6,009,492	(2,608,651)
Net change in fund balances	(766,263)	(4,076,188)	1,306,539
Fund balances - beginning	27,212,151	27,212,151	-
Fund balances - ending	\$ 26,445,888	\$ 23,135,963	\$ 1,306,539

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Transit Reserve Fund
For the year ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Project grants from state and local agencies	\$ 2,849,503	\$ 2,849,503	\$ 2,849,504	\$ 1
Investment income	-	-	38,991	38,991
Total revenues	2,849,503	2,849,503	2,888,495	38,992
Expenditures				
Current:				
Allocations to other agencies	3,848,821	6,434,955	4,537,208	1,897,747
Deficiency of revenues under expenditures	(999,318)	(3,585,452)	(1,648,713)	1,936,739
Other financing sources				
Transfers in	999,318	999,318	989,075	(10,243)
Net change in fund balances	-	(2,586,134)	(659,638)	1,926,496
Fund balances - beginning	2,941,563	2,941,563	2,941,563	-
Fund balances - ending	\$ 2,941,563	\$ 355,429	\$ 2,281,925	\$ 1,926,496

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Rail Extension Reserve Fund
For the year ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Investment income	\$ -	\$ -	\$ 100,901	\$ 100,901
Total revenues	-	-	100,901	100,901
Expenditures				
Current:				
General Government	-	-	931	(931)
Allocations to other agencies	9,958,529	12,234,935	10,992,212	1,242,723
Total expenditures	9,958,529	12,234,935	10,993,143	1,241,792
Deficiency of revenues under expenditures	(9,958,529)	(12,234,935)	(10,892,242)	1,342,693
Other financing sources				
Transfers in	9,958,529	9,958,529	10,030,620	72,091
Net change in fund balances	-	(2,276,406)	(861,622)	1,414,784
Fund balances - beginning	5,607,283	5,607,283	5,607,283	-
Fund balances - ending	\$ 5,607,283	\$ 3,330,877	\$ 4,745,661	\$ 1,414,784

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – AB664 Net Toll Revenue Reserve Fund
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	
Revenues			
Investment income	\$ -	\$ -	\$ 469,466
Total Revenues	-	-	469,466
Expenditures			
Current:			
General government	-	-	4,085
Allocations to other agencies	12,265,162	47,996,629	24,481,428
Total expenditures	12,265,162	47,996,629	24,485,513
Deficiency of revenues under expenditures	(12,265,162)	(47,996,629)	(24,016,047)
Other financing sources			
Transfers in	12,265,162	12,265,162	26,954
Net change in fund balances	-	(35,731,467)	24,007,536
Fund balances - beginning	45,557,827	45,557,827	-
Fund balances - ending	\$ 45,557,827	\$ 9,826,360	\$ 33,833,896
		\$	\$ 24,007,536

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Exchange Fund
For the year ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Investment income	\$ -	\$ -	\$ 111,750	\$ 111,750
Total revenues	-	-	111,750	111,750
Expenditures				
Current:				
Allocations to other agencies	\$ -	8,777,393	330,123	8,447,270
Excess / (deficiency) of revenues over / (under) expenditures	-	(8,777,393)	(218,373)	8,559,020
Other financing sources / (uses)				
Transfers (out) / in	-	-	(809,352)	(809,352)
Net change in fund balances	-	(8,777,393)	(1,027,725)	7,749,668
Fund balances - beginning	13,267,314	13,267,314	13,267,314	-
Fund balances - ending	\$ 13,267,314	\$ 4,489,921	\$ 12,239,589	\$ 7,749,668

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – STA Fund
For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		<u>Final</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>				
Revenues					
Project grants from state and local agencies	\$ 37,952,812	\$	38,363,793	\$ 38,363,796	\$ 3
Investment income	-		148,362	214,226	65,864
Total revenues	37,952,812		38,512,155	38,578,022	65,867
Expenditures					
Current:					
Allocations to other agencies	56,345,038		63,006,616	38,618,599	24,388,017
Excess (deficiency) of revenues over (under) expenditures	(18,392,226)		(24,494,461)	(40,577)	24,453,884
Other financing sources / (uses)					
Transfers (out) / in	-		-	394,439	394,439
Net change in fund balances	(18,392,226)		(24,494,461)	353,862	24,848,323
Fund balances - beginning	26,008,633		26,008,633	26,008,633	-
Fund balances - ending	\$ 7,616,407	\$	1,514,172	\$ 26,362,495	\$ 24,848,323

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenditures and Changes
in Fund Balances – Budget and Actual – Feeder Bus Fund
For the year ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget Positive (Negative)
Revenues				
Project grants from state and local agencies	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ -
Investment income	26,321	26,321	3,056	(23,265)
Total revenues	2,526,321	2,526,321	2,503,056	(23,265)
Expenditures				
Current:				
Allocations to other agencies	2,526,321	2,526,321	2,913,624	(387,303)
Excess (deficiency) of revenues over (under) expenditures	-	-	(410,568)	(410,568)
Other financing sources / (uses)				
Transfers (out) / in	-	-	-	-
Net change in fund balances	-	-	(410,568)	(410,568)
Fund balances - beginning	432,097	432,097	432,097	-
Fund balances - ending	\$ 432,097	\$ 432,097	\$ 21,529	\$ (410,568)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2004

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 225,427,633	\$ 9,907,587	\$ 235,335,220
Short-term investments	89,826,820	13,238,921	103,065,741
Accrued interest	4,076,227	31,446	4,107,673
Prepaid expenses	86,773	194,550	281,323
Caltrans funding due	-	2,209,916	2,209,916
Tolls due from Caltrans	8,103,320	-	8,103,320
Funding due from local agency	478,047	-	478,047
Maintenance funding due from Caltrans	3,966,913	-	3,966,913
Prepayments to the Architectural Revolving Fund	113,623	-	113,623
Other receivables due from Caltrans	4,400,000	-	4,400,000
Total current assets	336,479,356	25,582,420	362,061,776
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	7,670	51,876	59,546
Callboxes, net of accumulated depreciation	-	1,681,382	1,681,382
Capital assets, net	7,670	1,733,258	1,740,928
Non-current assets:			
Investments	109,932,291	-	109,932,291
Bond issuance costs	7,665,109	-	7,665,109
Total non-current assets	117,597,400	-	117,597,400
Restricted non-current assets:			
Investments	175,000,000	-	175,000,000
Total non-current assets	292,605,070	1,733,258	294,338,328
Total assets	629,084,426	27,315,678	656,400,104
Liabilities			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	1,104,901	893,624	1,998,525
Accrued expenses	1,027,115	32,506	1,059,621
Accrued interest payable	2,934,483	-	2,934,483
Retentions payable	59,624	11,109	70,733
Due to / (from) MTC	571,892	(425,977)	145,915
Due to Caltrans	92,542,967	-	92,542,967
Total current liabilities payable from unrestricted assets	98,240,982	511,262	98,752,244
Non-current liabilities:			
Long-term debt, net	701,160,994	-	701,160,994
Total liabilities	799,401,976	511,262	799,913,238
Net assets / (deficit)			
Invested in capital assets, net of related debt	7,670	1,878,328	1,885,998
Restricted net assets	175,000,000	-	175,000,000
Unrestricted net assets	(345,325,220)	24,926,088	(320,399,132)
Total net assets / (deficit)	\$(170,317,550)	\$ 26,804,416	\$(143,513,134)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Net Assets – Proprietary Funds
June 30, 2003

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 384,728,455	\$ 5,655,918	\$ 390,384,373
Short-term investments	149,838,096	10,256,002	160,094,098
Accrued interest	6,645,492	30,437	6,675,929
Prepaid expenses	111,360	186,477	297,837
Federal funding due	-	1,346,090	1,346,090
Caltrans funding due	-	7,935,784	7,935,784
Tolls due from Caltrans	3,727,415	-	3,727,415
Maintenance funding due from Caltrans	17,776,724	-	17,776,724
Prepayments to the Architectural Revolving Fund	192,510	-	192,510
Other receivables due from Caltrans	173,976	-	173,976
Total current assets	563,194,028	25,410,708	588,604,736
Non-current assets:			
Capital assets:			
Furniture and equipment, net of accumulated depreciation	2,037	89,447	91,484
Callboxes, net of accumulated depreciation	-	2,045,520	2,045,520
Capital assets, net	2,037	2,134,967	2,137,004
Non-current assets:			
Investments	182,971,100	-	182,971,100
Receivable due from Caltrans	2,002,933	-	2,002,933
Bond issuance costs	7,924,365	-	7,924,365
Total non-current assets	192,898,398	-	192,898,398
Restricted non-current assets:			
Investments	130,000,000	-	130,000,000
Total non-current assets	322,900,435	2,134,967	325,035,402
Total assets	886,094,463	27,545,675	913,640,138
Liabilities			
Current liabilities:			
Payable from unrestricted assets			
Accounts payable	207,783	1,128,455	1,336,238
Accrued expenses	66,800	190,358	257,158
Accrued interest payable	2,868,756	-	2,868,756
Retentions payable	59,624	12,379	72,003
Due to / (from) MTC	220,820	(267,176)	(46,356)
Due to Caltrans	35,560,472	-	35,560,472
Total current liabilities payable from unrestricted assets	38,984,255	1,064,016	40,048,271
Non-current liabilities:			
Long-term debt, net	701,244,921	-	701,244,921
Total liabilities	740,229,176	1,064,016	741,293,192
Net assets			
Invested in capital assets, net of related debt	2,037	2,134,967	2,137,004
Restricted net assets	130,000,000	-	130,000,000
Unrestricted net assets	15,863,250	24,346,692	40,209,942
Total net assets	\$ 145,865,287	\$ 26,481,659	\$ 172,346,946

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	\$ 145,176,202	\$ -	\$ 145,176,202
Department of Motor Vehicles registration fees	-	5,839,026	5,839,026
Other operating revenues	1,921,670	199,245	2,120,915
Total operating revenues	147,097,872	6,038,271	153,136,143
Operating expenses			
Operating expenses	44,456,244	-	44,456,244
Towing contracts	-	6,936,786	6,936,786
Professional fees	1,863,054	722,339	2,585,393
Salaries and benefits	1,101,243	685,695	1,786,938
Repairs and maintenance	-	952,485	952,485
Communications charges	437	451,918	452,355
Depreciation and amortization	177,274	409,529	586,803
Other operating expenses	430,092	710,665	1,140,757
Total operating expenses	48,028,344	10,869,417	58,897,761
Operating income / (loss)	99,069,528	(4,831,146)	94,238,382
Non-operating revenues / (expenses)			
Interest income	11,007,091	177,697	11,184,788
Interest expense	(26,663,420)	-	(26,663,420)
Caltrans/other agency operating grants	478,047	5,884,069	6,362,116
Federal operating grants	-	156,558	156,558
Total non-operating revenues / (expenses), net	(15,178,282)	6,218,324	(8,959,958)
Income before operating and capital transfers	83,891,246	1,387,178	85,278,424
Transfers			
Transfers to Metropolitan Transportation Commission	(25,163,318)	(1,134,421)	(26,297,739)
Net income before capital transfers	58,727,928	252,757	58,980,685
Distributions / Contributions			
Distributions to Caltrans	(373,331,113)	-	(373,331,113)
Distributions to other agencies	(3,906,719)	-	(3,906,719)
Contribution between programs	(70,000)	70,000	-
Total distributions / contributions	(377,307,832)	70,000	(377,237,832)
Contributed capital	2,397,067	-	2,397,067
Change in net assets	(316,182,837)	322,757	(315,860,080)
Total net assets - beginning	145,865,287	26,481,659	172,346,946
Total net assets / (deficit) - ending	\$ (170,317,550)	\$ 26,804,416	\$ (143,513,134)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Change in Net Assets – Proprietary Funds
For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Operating revenues			
Toll revenues collected by Caltrans	\$ 144,199,876	\$ -	\$ 144,199,876
Department of Motor Vehicles registration fees	-	5,809,298	5,809,298
Other operating revenues	1,905,230	19,172	1,924,402
Total operating revenues	146,105,106	5,828,470	151,933,576
Operating expenses			
Operating expenses	35,717,351	-	35,717,351
Towing contracts	-	6,821,624	6,821,624
Professional fees	2,641,139	1,277,236	3,918,375
Repairs and maintenance	791	1,232,486	1,233,277
Communications charges	6,966	414,998	421,964
Depreciation and amortization	142,585	471,964	614,549
Other operating expenses	327,761	157,279	485,040
Total operating expenses	38,836,593	10,375,587	49,212,180
Operating income / (loss)	107,268,513	(4,547,117)	102,721,396
Non-operating revenues / (expenses)			
Interest income	25,530,797	262,556	25,793,353
Interest expense	(20,440,983)	-	(20,440,983)
Caltrans operating grants	305,004	5,638,413	5,943,417
Federal operating grants	-	1,111,079	1,111,079
Total non-operating revenues, net	5,394,818	7,012,048	12,406,866
Income before operating and capital transfers	112,663,331	2,464,931	115,128,262
Transfers			
Transfers to Metropolitan Transportation Commission	(24,891,991)	(2,358,296)	(27,250,287)
Net income before capital transfers	87,771,340	106,635	87,877,975
Distributions / Contributions			
Distributions to Caltrans	(329,518,305)	-	(329,518,305)
Distributions to other agencies	(1,267,391)	-	(1,267,391)
Contribution between programs	(1,337,278)	1,337,278	-
Total distributions / contributions	(332,122,974)	1,337,278	(330,785,696)
Change in net assets	(244,351,634)	1,443,913	(242,907,721)
Total net assets - beginning	390,216,921	25,037,746	415,254,667
Total net assets - ending	\$ 145,865,287	\$ 26,481,659	\$ 172,346,946

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	\$ 140,800,297	\$ 5,839,026	\$ 146,639,323
Cash payments to suppliers for services	(58,514,978)	(11,020,715)	(69,535,693)
Other receipts	15,905,457	199,245	16,104,702
Net cash provided by / (used in) operating activities	98,190,776	(4,982,444)	93,208,332
Cash flows from non-capital financing activities			
Caltrans operating grants	-	11,609,937	11,609,937
Federal operating grants	-	1,502,648	1,502,648
Distributions to Caltrans for capital expenses	(303,451,618)	-	(303,451,618)
Distributions to Other Agencies	(3,906,719)	-	(3,906,719)
Net cash (used in) / provided by non-capital financing activities	(307,358,337)	13,112,585	(294,245,752)
Cash flows from capital and related financing activities			
Interest paid on bonds & capital leases	(26,597,693)	-	(26,597,693)
Amounts charged against ARF	78,887	-	78,887
Transfers to MTC	(25,163,318)	(1,134,421)	(26,297,739)
Transfers to SAFE	(70,000)	70,000	-
Expenditures for facilities, property and equipment	(7,578)	(7,820)	(15,398)
Net cash used in capital and related financing activities	(51,759,702)	(1,072,241)	(52,831,943)
Cash flows from investing activities			
Proceeds from sale & maturities of investments	1,403,357,642	30,277,056	1,433,634,698
Purchase of investments	(1,322,857,564)	(33,258,264)	(1,356,115,828)
Interest and dividends received	21,126,363	174,977	21,301,340
Net cash provided by / (used in) investing activities	101,626,441	(2,806,231)	98,820,210
Net increase / (decrease) in cash and cash equivalents	(159,300,822)	4,251,669	(155,049,153)
Balances - Beginning of year	384,728,455	5,655,918	390,384,373
Balances - End of year	\$ 225,427,633	\$ 9,907,587	\$ 235,335,220
Schedule of noncash activities			
Change in the fair value of investments that are not cash and cash equivalents	\$ (7,550,007)	\$ 1,711	\$ (7,548,296)

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	\$ 99,069,528	\$ (4,831,146)	\$ 94,238,382
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	177,274	409,529	586,803
Net effect of changes in:			
Tolls due from Caltrans	(4,375,905)	-	(4,375,905)
Maintenance funding due from Caltrans	13,809,811	-	13,809,811
Prepaid expenses and other assets	24,587	(8,073)	16,514
Due to Caltrans	(12,897,000)	-	(12,897,000)
Other receivables due from Caltrans	173,976	-	173,976
Accounts payable and accrued expenses	2,208,505	(552,754)	1,655,751
Net cash provided by / (used in) operating activities	\$ 98,190,776	\$ (4,982,444)	\$ 93,208,332

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Cash flows from operating activities			
Cash receipts from users	\$ 144,598,099	\$ 5,809,298	\$ 150,407,397
Cash payments to suppliers for services	(12,607,726)	(10,004,160)	(22,611,886)
Other receipts	6,585,093	19,172	6,604,265
Net cash provided by / (used in) operating activities	138,575,466	(4,175,690)	134,399,776
Cash flows from non-capital financing activities			
Caltrans operating grants	305,004	5,787,585	6,092,589
Federal operating grants	-	6,094	6,094
Proceeds from issuance of revenue bonds	300,000,000	-	300,000,000
Bond issuance cost	(3,528,727)	-	(3,528,727)
Distributions to Caltrans for capital expenses	(329,518,305)	-	(329,518,305)
Disbributions to Other Agencies	(1,267,391)	-	(1,267,391)
Net cash (used in) / provided by non-capital financing activities	(34,009,419)	5,793,679	(28,215,740)
Cash flows from capital and related financing activities			
Interest paid on bonds & capital leases	(19,739,529)	-	(19,739,529)
Amounts charged against ARF	26,744	-	26,744
Transfers to MTC	(24,891,991)	(1,237,657)	(26,129,648)
Transfers to SAFE	(1,337,278)	1,337,278	-
Expenditures for facilities, property and equipment	-	(1,337,278)	(1,337,278)
Net cash used in capital and related financing activities	(45,942,054)	(1,237,657)	(47,179,711)
Cash flows from investing activities			
Proceeds from sale & maturities of investments	2,285,664,707	30,239,894	2,315,904,601
Purchase of investments	(2,265,956,208)	(33,519,496)	(2,299,475,704)
Interest and dividends received	28,011,416	301,301	28,312,717
Net cash provided by/ (used in) investing activities	47,719,915	(2,978,301)	44,741,614
Net increase / (decrease) in cash and cash equivalents	106,343,908	(2,597,969)	103,745,939
Balances - Beginning of year	278,384,547	8,253,887	286,638,434
Balances - End of year	\$ 384,728,455	\$ 5,655,918	\$ 390,384,373
Schedule of noncash activities			
Change in the fair value of investments that are not cash and cash equivalents	\$ 278,685	\$ -	\$ 278,685

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Cash Flows – Proprietary Funds, *continued*
For the Year Ended June 30, 2003

	Business-type Activities - Enterprise Funds		
	Bay Area Toll Authority	Service Authority for Freeways and Expressways	Total
Reconciliation of operating income to net cash provided by / (used in) operating activities			
Operating income / (loss)	\$ 107,268,513	\$ (4,547,117)	\$ 102,721,396
Adjustments to reconcile operating income to net cash provided by / (used in) operating activities:			
Depreciation and amortization	142,585	471,964	614,549
Net effect of changes in:			
Tolls due from Caltrans	398,223	-	398,223
Maintenance funding due from Caltrans	4,250,756	-	4,250,756
Prepaid expenses and other assets	(15,188)	5,274	(9,914)
Due to Caltrans	26,753,638	-	26,753,638
Other receivables due from Caltrans	429,107	-	429,107
Accounts payable and accrued expenses	(652,168)	(105,811)	(757,979)
Net cash provided by / (used in) operating activities	\$ 138,575,466	\$ (4,175,690)	\$ 134,399,776

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission
Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2004 and 2003

	2004 Fiduciary Funds	2003 Fiduciary Funds
Assets		
Restricted assets held by participating counties	\$ 75,379,130	\$ 73,136,486
Restricted assets held by State Board of Equalization	-	4,983,274
Due from State of California	-	282,631
Interest receivable	108,410	-
Total Assets	\$ 75,487,540	\$ 78,402,391
Liabilities		
Accounts payable	\$ 2,028,205	\$ 9,146,500
Accrued expenses	1,616,758	797,757
Due to other governments	71,842,577	68,458,134
Total Liabilities	\$ 75,487,540	\$ 78,402,391

The accompanying notes are an integral part of these financial statements.

Metropolitan Transportation Commission

Financial Statements for the years ended June 30, 2004 and 2003

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Metropolitan Transportation Commission (MTC) was established under Government Code Section 66500 et seq. the laws of the State of California (State) in 1970 to provide comprehensive regional transportation planning for the nine counties that comprise the San Francisco Bay Area, which includes the City and County of San Francisco and the Counties of Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

The MTC's principal sources of revenue to fund its operations include state grants, a percentage of the sales tax revenues collected in the nine Bay Area Counties under the State Transportation Development Act of 1971 (TDA) and grants from the U.S. Department of Transportation, Office of the Secretary of Transportation (U.S. DOT), including the Federal Highway Administration (FHWA), Federal Transit Administration (FTA) and other federal, state and local agencies.

The accompanying financial statements present MTC and its blended component units. MTC is the primary government as defined in Governmental Accounting Standards Board Statement No. 14 as it has separate legal status. Its governing board is separately appointed and it is fiscally independent of other governments. The blended component units discussed below are included as part of the reporting entity because they are financially accountable to MTC. The blended component units, although legally separate entities are, in substance, part of the MTC's operations and financial data from these units are combined with financial data of MTC in preparing the government-wide financial statements. The Commission serves as the governing body for MTC and all its blended component units.

Blended component units

i.) Bay Area Toll Authority

The Bay Area Toll Authority (BATA) is a public agency created by Senate Bill 226 effective January 1, 1998. Senate Bill 226 amended Streets and Highway Code Section 30950 et seq. and transferred to BATA certain California Transportation Commission (CTC) and State of California, Department of Transportation (Caltrans) duties and responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by Caltrans in the San Francisco Bay Area. These responsibilities also include administration of the Regional Measure 1 capital improvement program approved by the voters in 1988. The toll bridges are the Antioch Bridge, Benicia-Martinez Bridge, Carquinez Bridge, Dumbarton Bridge, Richmond-San Rafael Bridge, San Francisco-Oakland Bay Bridge and San Mateo-Hayward Bridge.

Pursuant to Senate Bill 226, a five year Cooperative Agreement was signed on March 2, 1998 defining the roles and responsibilities of BATA and Caltrans. A new ten year agreement was signed in January 2003.

BATA is required to prepare and adopt a budget by July 1 for each fiscal year. BATA adopted a Long Range Plan for Regional Measure 1 projects as required by the Streets

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and Highway Code. With the concurrence of Caltrans, the plan gives first priority to projects and expenditures that are deemed necessary by Caltrans to preserve and protect the bridges as provided by the Streets and Highway Code and to pay Caltrans for costs incurred and as authorized in the annual budgets adopted by BATA.

In March 2004, seven Bay Area counties approved Regional Measure 2. Regional Measure 2 increased the toll by one dollar on all seven bridges in order to fund various capital and operating programs for congestion relief. The dollar surcharge became effective July 1, 2004.

The responsibilities of Caltrans reside with the ownership, operation and maintenance of the bridges, including the installation, maintenance and operations of toll collections facilities and equipment, the generation and maintenance of proper records relating to the collection, accounting, allocation and the disbursements of all toll funds collected. Under the terms of the Cooperative Agreement signed in January 2003, BATA assumed responsibility for electronic toll collection starting in April 2004.

Except for the seismic retrofit charge, all the toll revenues and certain other income are transferred to BATA to be managed in accordance with the Cooperative Agreement.

The activities of BATA are structured as a single enterprise with operating revenue and expense recorded by individual bridges.

ii.) MTC Service Authority for Freeways and Expressways (MTC SAFE)

In June 1988, the MTC SAFE was created to receive funds collected by the Department of Motor Vehicles pursuant to Streets and Highways Code Section 2500 et seq., which permits the collection of up to \$1 per registered vehicle in participating counties. The MTC SAFE is responsible for administering a freeway motorist aid system in the participating counties, referred to as the Callbox program. The following counties are participants in the MTC SAFE: San Francisco, Alameda, Contra Costa, Marin, Napa, San Mateo, Santa Clara, Solano and Sonoma.

In 1993, the MTC SAFE's responsibilities were expanded, pursuant to a jointly adopted Memorandum of Understanding between the MTC SAFE, Caltrans, and the California Highway Patrol (CHP), to participate in the development and implementation of a Freeway Service Patrol (FSP) program in the San Francisco Bay Area. The MTC SAFE now receives additional funding under this program to provide tow truck services to stranded motorists. Three principal sources of funding for the FSP program include state-legislated grants, federal grants, and funding from federal traffic mitigation programs. In addition, the Callbox program supports the FSP program by transferring funds each year.

The management of the MTC SAFE has contracted with the MTC to utilize the administrative personnel and facilities of the MTC.

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iii.) MTC Special Revenue Funds

Transit Reserve Fund – The 1998 Regional Measure 1 toll increase authorizes up to 3 percent of toll revenue to be used for congestion-relieving transit operation and capital projects in the bridge corridors and an additional 2 percent of the increase to be used for ferry service capital projects. The calculation of the transit reserves was revised in Section 30913 (b) of the Streets and Highway Code to 1/3 of 2% of base toll revenues collected on all seven Bay Area State-owned bridges effective January 1, 2004. When the state-owned toll bridges became eligible for federal funding in April 2000, transit operations could no longer be funded because federal funding guidelines allow toll revenues to be used for transit capital projects but not for transit operations. As such, MTC no longer funds transit operations with toll revenue.

Caltrans entered into a Cooperative Agreement with BATA and MTC whereby Caltrans transferred state funding (Five Percent Unrestricted State Funds) to MTC to replace the Toll Funds previously used for transit operations. As a result of this agreement, new programming and allocation policies were established in MTC Resolution No. 3288, with the Unrestricted State Funds supporting ferry operations and other transit/bicycle projects, and toll revenue transfers limited to ferry capital improvements.

Rail Extension Reserve Fund – Arise from 90 percent of the 25 cent toll increase on two-axle vehicles crossing the San Francisco-Oakland Bay Bridge as authorized by Regional Measure 1. Section 30914 (a.4) of the Streets and Highway Code changed the calculation to 21% of base toll revenues collected on the San Francisco-Oakland Bay Bridge effective January 1, 2004. Rail extension funds are allocated exclusively for rail transit capital extension and improvement projects that are designed to reduce vehicular traffic congestion on the San Francisco-Oakland Bay Bridge. Seventy percent of the Rail Extension Reserves are allocated for East Bay rail improvements and the remaining thirty percent for West Bay rail improvements.

AB664 Net Toll Revenue Reserve Fund – Arises from a 1997 toll increase on the three southern bay area bridges; the Dumbarton Bridge, the San Francisco-Oakland Bay Bridge and the San Mateo-Hayward Bridge. The increase consisted of a charge of 25 cents per two-axle vehicle on the San Francisco-Oakland Bay Bridge and 5 cents per two-axle vehicle on the San Mateo-Hayward and Dumbarton Bridges. Section 30884 (a) of the Streets and Highway Code changed the calculation to 16% of the base toll revenues collected on the three bridges effective January 1, 2004. These funds are allocated, seventy percent to West Bay and thirty percent to East Bay, to capital projects that further the development of public transit in the vicinity of these three southern bay area bridges, including transbay and transbay feeder transit services. Substantially all of the current AB664 Net Toll Revenue Reserves are used to match federal transit funds designated for replacement buses and capital facility improvement.

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Exchange Fund – Are used for the MTC projects adopted as part of its State Transit Program (STP) and Congestion Mitigation and Air Quality Improvement (CMAQ) programs. STP funds include flexible funding for projects on any Federal-aid highway, including the National Highway System, bridge projects, public roads, transit capital projects, and intracity and intercity bus terminals and facilities. CMAQ funds provide funding for up to 3 years for capital projects and new operating programs as in the areas of TCMs, Cold Start Programs, Alternative Fuels, Traffic Flow Improvements, Specific Transit Improvements such as new, lower emission transit vehicles, TransLink®, Travel Demand Management, Bicycle and Pedestrian Facilities and Outreach and Rideshare Activities.

State Transit Assistance (STA) Fund – Are used for transit and Paratransit operating assistance, transit capital projects, and regional transit coordination. STA funds are derived from the state sales tax on fuel and apportioned by state statute between population and revenue-based accounts. PUC Section 99313 defines population based funds and PUC Section 99314 defines revenue based funds.

Feeder Bus Fund – Are to reimburse various transit operators for operating the BART Express Bus Program.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of MTC and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

For the year ended June 30, 2002, MTC adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements – Management’s Discussion & Analysis – for State and Local Governments: Omnibus*. GASB 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into three net asset categories; namely, those invested in capital assets, net of related debt, restricted net assets and unrestricted net assets. For the year ended June 30, 2002, MTC also adopted GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

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With respect to the business-type activities of MTC and as required under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, MTC will continue to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARBs) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements. MTC has elected under GASB Statement No. 20 to not apply all FASB Statements and Interpretations issued after November 30, 1989, due to the governmental nature of MTC's operations.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period.

MTC reports the following governmental funds:

The *general fund* is used to account for those financial resources that are not required to be accounted for in another fund. MTC's general fund is its primary operating fund.

Special revenue funds are used to account for proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes. MTC's special revenue funds include the MTC Bridge Toll Funds, the Exchange Fund, the STA Fund and the Feeder Bus Fund. The MTC Bridge Toll Funds comprise the Transit Reserves Fund, the Rail Extension Reserves Fund and the AB664 Net Toll Revenue Reserves Fund.

The major governmental funds comprise the General Fund, Transit Reserve Fund, Rail Extension Reserve Fund, the AB664 Net Toll Revenue Reserves Fund, the Exchange Fund, the STA Fund, and the Feeder Bus Fund. Balance Sheet and Statements of Revenues, Expenditures and Changes in Fund Balances and Budget to Actual Statements of Revenues and Change in Fund Balances are presented for all governmental funds.

MTC reports the following major proprietary funds:

The *Bay Area Toll Authority (BATA) fund* is used to account for the activities of BATA with responsibilities for the disposition of toll revenues collected from toll bridges owned and operated by the State in the San Francisco Bay Area. BATA is a blended component unit of MTC.

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The *MTC Service Authority for Freeways and Expressways (SAFE) fund* is used to account for the activities of MTC SAFE with responsibilities for administering a freeway motorist aid system in the participating counties as well as providing tow truck services to stranded motorists. MTC SAFE is a blended component unit of MTC.

Additionally, MTC reports the following fiduciary funds to account for assets held by MTC in a trustee capacity or as an agent. These agency funds are custodial in nature and do not have a measurement of results of operations. They are on the accrual basis of accounting.

The *AB1107 fund* is used to account for the activities of the AB1107 Program. AB1107 funds are sales tax revenue collected under the ordinance adopted pursuant to Section 29140 of the Public Utilities Code. These funds are administered by the MTC for allocation to the Alameda-Contra Costa Transit District (AC Transit) and the City and County of San Francisco for its municipal railway system (MUNI) on the basis of regional priorities established by the MTC.

The *Transportation Development Act (TDA) Program fund* is used to account for the activities of the TDA Program. In accordance with State regulations and memoranda of understanding with operators and local municipalities, the MTC is responsible for the administration of sales tax revenue derived from the TDA.

D. Budgetary Accounting

Enabling legislation and adopted policies and procedures provide that MTC approve an annual budget by June 30 of each year. Annual budgets are adopted on a basis consistent with Accounting Principles Generally Accepted in the United States of America for all governmental and proprietary funds. MTC also approves a life of project budget whenever new capital projects are approved. MTC presents a preliminary budget in May. The final budget is presented in June. MTC conducts hearings for discussion of the proposed annual budget and at the conclusion of the hearings, but not later than June 30, adopts the final budget for the following fiscal year. The appropriated budget is prepared by fund, project and expense type. The legal level of control is at the fund level and the governing body must approve additional appropriations. Budget amendments are recommended when needed. Operating appropriations lapse at fiscal year end.

MTC employs the following practices and procedures in establishing budgetary data on a basis consistent with Accounting Principles Generally Accepted in the United States of America as reflected in the basic financial statements:

- Annual budgets are adopted on the modified accrual basis of accounting for governmental fund types. These include the general fund and special revenue funds.
- Annual budgets are adopted on the accrual basis for the proprietary fund types.

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E. Encumbrances

Encumbrance accounting is employed in the general and special revenue funds. Under this method, purchase orders, contracts, memoranda of understanding and other commitments outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities. These commitments will be recognized in subsequent year appropriations.

F. Cash and Investments

MTC applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, which requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. Investments are stated at fair value based upon quoted market prices. Net increases or decreases in the fair value of investments are shown in the Statements of Revenues, Expenditures and Changes in Fund Balance for all governmental fund types and in the Statements of Revenues, Expenditures and Changes in Net Assets for the proprietary funds.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, MTC considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash and cash equivalents. Deposits in the investment pool of the County of Alameda are presented as cash and cash equivalents.

Restricted investments

Certain investments are classified as restricted on the Statement of Net Assets because their use is limited externally by applicable bond covenants, laws or regulations or there exists an imposed restriction through enabling legislation.

G. Capital Assets

Capital assets, which include buildings and improvements, office furniture and equipment, leased equipment, automobiles and callboxes, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost. Depreciation expense for the governmental activities is charged against general government function.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimate useful life in excess of three years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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Depreciation is computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Buildings and improvements	10 - 45
Office furniture and equipment	3 - 10
Leased equipment	5
Automobiles	3
Callboxes	10

H. Net Assets

Net assets represent residual interest in assets after liabilities are deducted. Net assets consist of three sections: Invested in capital assets, net of related debt, as well as restricted and unrestricted. Net assets are reported as restricted when constraints are imposed by third parties or enabling legislation. Restricted net assets consist of amounts restricted for capital expenditures and other purposes as follows:

	<u>2004</u>	<u>2003</u>
Encumbrances for Capital Projects	\$ 51,489,473	\$ 61,339,974
Other Purposes:		
Legal Contingency	1,993,571	2,500,000
PERS Reserve	6,099,723	5,260,158
HOV Reserve	289,741	1,332,670
STA Reserve	349,490	4,540,290
Building Reserve	8,000,000	8,000,000
Capital Asset Reserve	500,000	500,000
Debt Covenant – Operating & Maintenance Reserve	125,000,000	80,000,000
Self Insurance Reserve	50,000,000	50,000,000
Long-Term Receivable Not Available to Pay Current Period Expenditures	<u>47,810,000</u>	<u>39,935,000</u>
Total Other Purposes	<u>\$ 240,042,525</u>	<u>\$ 192,068,118</u>

I. Retirement Plans

MTC provides a defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission (the “Plan”) which provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees’ Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers in the State.

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J. Postretirement Health Benefits

The MTC pays certain health care insurance premiums for retired employees. Employees may become eligible for these benefits if they reach normal retirement age while working for the MTC. The number of participants eligible to receive benefits was 38 for the year ended June 30, 2004. The cost of retiree health care insurance premiums is recognized as an expense as premiums are paid. For the years ended June 30, 2004 and 2003, those costs totaled \$217,975 and \$152,096, respectively.

K. Compensated Absences

MTC's regular staff employees accumulate vacation pay and sick leave pay based on the agreement with the Committee for Staff Representation pursuant to the Meyers-Milias-Brown Act. A liability exists for accumulated vacation and sick leave. Unused accumulated sick and vacation leave is paid at the time of employment termination up to a maximum of 400 hours for vacation and 240 hours for sick leave per employee.

L. Maintenance Funding due from Caltrans

In accordance with Amendment No. 2 to the Cooperative Agreement between BATA and Caltrans, Caltrans agreed to reimburse BATA for tow services financed with toll funds from fiscal year 1993 through fiscal year 2001. The reimbursement receivable totals \$3,966,913 and \$17,776,724 at June 30, 2004 and 2003, respectively. The settlement of the maintenance funding due from the State is to be provided in the form of an offset of capital expenses incurred and to be incurred on the Richmond-San Rafael Bridge Trestle Project and Richmond-San Rafael Bridge Deck project. For the years ended June 30, 2004 and 2003, Caltrans incurred \$13,809,811 and \$4,250,756, respectively in expenses as an offset against the settlement.

M. Toll revenues Collected by Caltrans

Except for the seismic retrofit charge, Caltrans collects all toll revenues from the operation of the bridges and transfers such revenues to BATA. BATA recognizes toll revenue as amounts are earned from vehicle utilization of the toll bridges.

N. Operating Expenditures Incurred by Caltrans

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge operating expenditures.

O. Transfers to Caltrans for Capital Expenditures

In accordance with the Cooperative Agreement between BATA and Caltrans, BATA reimburses Caltrans for certain costs incurred for bridge capital expenditures.

P. Capital Contributed from Caltrans

Caltrans contributed capital to BATA for a compensating cash balance.

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Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Operating and Nonoperating Revenues and Expenses

Operating revenues and expenses are those related to user service activities. While non-operating revenue and expenses are all others revenues and expenses not related to user service activities.

2. UNRESTRICTED ASSET DEFICIT

The unrestricted asset deficit arises from the activities within BATA. BATA was created by SB226 to be the financing arm for the Regional Measure 1 program. The planned total debt borrowing for these projects will be one billion dollars with the completion of the last piece of the financing in the fall of 2004. These bonds, issued by BATA, are Toll revenue Bonds payable solely from "Pledged Revenues". All future toll revenues received by BATA are pledged to cover debt service payments. The assets, the bridges, are owned and maintained by Caltrans. Therefore, BATA does not have sufficient current resources on hand to cover this debt resulting in an unrestricted asset deficit.

3. CASH AND INVESTMENTS

Investments are stated at fair value. As a matter of policy, MTC holds investments to maturity with the objective of preservation and safeguarding of capital until the date of anticipated need.

At June 30, 2004 and 2003, the MTC's carrying amount of cash in checking and money market accounts was \$185,853,814 and \$162,401,355, respectively while the bank balance was \$179,820,665 and \$162,969,269, respectively with the difference represented primarily by outstanding checks. Of the bank balances at June 30, 2004 and 2003, \$241,056 and \$211,589 was insured by federal depository insurance or collateralized by securities held by MTC's agent in MTC's name and an amount of \$185,612,758 is required by Section 53652 of the California Government Code to be collateralized 110% by the pledging financial institutions, except promissory notes secured by first trust deeds, or letters of credit issued by the Federal Home Loan Bank of San Francisco which require collateral levels of 150% and 105%, respectively. Such collateral is not required to be in MTC's name.

The California Government Code requires California banking institutions to collateralize deposits of public funds by pledging government securities as collateral. Such collateralization of public funds is accomplished by pooling. The market value of pledged securities must be in accordance with Title 5, Division 2, Chapter 4, Article 2 of the

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Government Code for the State of California. California law also allows financial institutions to collateralize public fund deposits by pledging first trust deed mortgage notes having a value of 150% of a governmental unit's total deposits. The MTC may waive collateral requirements for deposits that are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation.

The MTC invests its available cash under the prudent investor rule. The prudent investor rule states, in essence, that "in investing...property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs...." This policy affords the MTC a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. Investments may be made within the following approved instrument guidelines:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit (or time deposits) placed with commercial banks and savings and loans
- Bankers' acceptances
- Authorized pooled investment programs
- Commercial paper – Rated "A" or better
- Corporate notes – Rated "A" or better
- Municipal bonds
- Mutual funds – Rated "A" or better
- Asset backed securities
- Other investment types authorized by state law and not prohibited in the MTC investment policy

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of \$50 million. At June 30, 2004, BATA had restricted \$125 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2004.

MTC also has \$1,126,154 restricted for costs for the Express Bus purchases funded with the Traffic Relief Program funds.

The MTC holds a position in the investment pool of County of Alameda in the amount of \$36,905,709. These funds in the Alameda County pool are not registered with the Securities and Exchange Commission (SEC). The County of Alameda is restricted by state code in the types of investments it can make. Further, the County Treasurer has a written investment policy approved by the Board of Supervisors and also has an investment committee which performs regulatory oversight for its pool as required by California Government Code Section 27134. The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's

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Commercial Paper Record, banker's acceptances, repurchase agreements, reverse repurchase agreements, and the State Treasurer's investment pool. The fair value in the investment pool of County of Alameda is the same as the fair value of the position in the external investment pool at June 30, 2004.

At June 30, 2004 and 2003, MTC invested 77% and 61% of its investment portfolio in government-sponsored enterprises (GSE). However, for both the periods under review no specific GSE comprised of more than 42% of the total. The holdings are as follows:

	2004	2003
Federal Home Loan Board	42%	39%
Federal Home Loan Mortgage	32%	20%
Federal National Mortgage Association	21%	38%
Student Loan Marketing	3%	2%
Tennessee Valley Authority	2%	1%
	<u>100%</u>	<u>100%</u>

The GSEs carry "AAA" rating and have implicit guarantee from the U.S. government. Neither State law nor MTC policy imposes a limit to the amount of GSE within the portfolio.

MTC's portfolio includes one mutual fund investment, Cadre Institutional Investors Trust (Cadre), owned by Public Financial Management. The fund is rated "AAA" by both Standard & Poor's Corporation and Moody's and its fund invests in debt securities issued or guaranteed by the U.S. government or an agency of the U.S. government and repurchase agreements collateralized by U.S. government securities. Investments are very liquid and can be liquidated at any time and as such are considered to be cash and cash equivalents. This mutual fund also serves as MTC's primary checking account. At June 30, 2004 and 2003, the investment in Cadre was equal to 6% and 10% of the investment portfolio (including cash and cash equivalents). State law and MTC policy limit mutual fund investments to 20% of the portfolio, with no more than 10% in any single fund.

A reconciliation of Cash and Investments as shown on the Statement of Net Assets for all funds at June 30, 2004 and 2003 is as follows:

	2004	2003
Cash	\$ 185,853,813	\$ 162,401,355
Investments	<u>542,981,391</u>	<u>817,819,269</u>
Total cash and investments	<u>\$ 728,835,204</u>	<u>\$ 980,220,624</u>
Reported as:		
Unrestricted cash and cash equivalents	\$ 329,582,159	\$ 486,839,326
Unrestricted investments	<u>223,126,891</u>	<u>358,193,511</u>
Total unrestricted cash and investments	<u>552,709,050</u>	<u>845,032,837</u>
Restricted cash and cash equivalents	1,126,154	5,187,787
Restricted investments	<u>175,000,000</u>	<u>130,000,000</u>
Total restricted cash and investments	<u>176,126,154</u>	<u>135,187,787</u>
Total cash and investments	<u>\$ 728,835,204</u>	<u>\$ 980,220,624</u>

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4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2004 is as follows:

Governmental activities

	Beginning Balance July 1, 2003	Additions	Retirements	Ending Balance June 30, 2004
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,718,459	\$ -	\$ -	\$ 4,718,459
Office furniture and equipment	2,686,117	166,011	-	2,852,128
Leased equipment	83,430	-	-	83,430
Automobiles	176,412	-	-	176,412
Total cash assets being depreciated	<u>7,664,418</u>	<u>166,011</u>	<u>-</u>	<u>7,830,429</u>
Less accumulated depreciation for:				
Buildings and improvements	2,075,796	176,344	-	2,252,140
Office furniture and equipment	2,249,698	161,110	-	2,410,808
Leased equipment	31,248	18,082	-	49,330
Automobiles	162,078	10,587	-	172,665
Total accumulated depreciation	<u>4,518,820</u>	<u>366,123</u>	<u>-</u>	<u>4,884,943</u>
Total capital assets, net	<u>\$ 3,145,598</u>	<u>\$ (200,112)</u>	<u>\$ -</u>	<u>\$ 2,945,486</u>

Business-type activities

	Beginning Balance July 1, 2003	Additions	Retirements	Ending Balance June 30, 2004
Capital assets, being depreciated:				
Office furniture and equipment	\$ 1,052,470	\$ 15,398	\$ -	\$ 1,067,868
Callboxes	10,482,078	-	-	10,482,078
Total cash assets being depreciated	<u>11,534,548</u>	<u>15,398</u>	<u>-</u>	<u>11,549,946</u>
Less accumulated depreciation for:				
Office furniture and equipment	960,986	47,336	-	1,008,322
Callboxes	8,436,558	364,138	-	8,800,696
Total accumulated depreciation	<u>9,397,544</u>	<u>411,474</u>	<u>-</u>	<u>9,809,018</u>
Total capital assets, net	<u>\$ 2,137,004</u>	<u>\$ (396,076)</u>	<u>\$ -</u>	<u>\$ 1,740,928</u>

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A summary of changes in capital assets for the year ended June 30, 2003 is as follows:

Governmental activities

	Beginning Balance July 1, 2002	Additions	Retirements	Ending Balance June 30, 2003
Capital assets, being depreciated				
Buildings and improvements	\$ 4,698,808	\$ 19,651	-	\$ 4,718,459
Office furniture and equipment	2,764,993	36,144	(115,020)	2,686,117
Leased equipment	83,430	-	-	83,430
Automobiles	185,548	-	(9,136)	176,412
Total capital assets being depreciated	7,732,779	55,795	(124,156)	7,664,418
Less accumulated depreciation for				
Buildings and improvements	1,901,416	174,380	-	2,075,796
Office furniture and equipment	2,200,996	160,662	(111,960)	2,249,698
Leased equipment	12,166	19,082	-	31,248
Automobiles	152,350	18,864	(9,136)	162,078
Total accumulated depreciation	4,266,928	372,988	(121,096)	4,518,820
Total capital assets, net	\$ 3,465,851	\$ (317,193)	\$ (3,060)	\$ 3,145,598

Business-type activities

	Beginning Balance July 1, 2002	Additions	Retirements	Ending Balance June 30, 2003
Capital assets, being depreciated				
Office furniture and equipment	\$ 1,075,462	\$ -	\$ (22,992)	\$ 1,052,470
Callboxes	9,144,800	1,337,278	-	10,482,078
Total capital assets being depreciated	10,220,262	1,337,278	(22,992)	11,534,548
Less accumulated depreciation for				
Office furniture and equipment	891,154	92,814	(22,982)	960,986
Callboxes	8,055,377	381,181	-	8,436,558
Total accumulated depreciation	8,946,531	473,995	(22,982)	9,397,544
Total capital assets, net	\$ 1,273,731	\$ 863,283	\$ (10)	\$ 2,137,004

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5. LONG-TERM DEBT

General Revenue Bonds were issued during May 2001 and February 2003 to (i) finance the cost of the design and construction of eligible projects, including capital improvements and Regional Measure I projects for the Bay Area Bridges, (ii) to finance a Reserve Fund for the Series 2001 and 2003 General Revenue Bonds, and (iii) pay costs incurred in connection with the issuance of the Series 2001 General Revenue Bonds.

Metropolitan Transportation Commission Financial Statements for the years ended June 30, 2004 and 2003 Notes to Financial Statements

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2003	Additions	Reductions	Ending Balance June 30, 2004	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000	-	-	100,000,000	-
2003 Revenue Bond Series A	2/12/2003	4.13% ***	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series B	2/12/2003	4.13% ***	2038	75,000,000	75,000,000	-	-	75,000,000	-
2003 Revenue Bond Series C	2/12/2003	4.14% ****	2038	150,000,000	150,000,000	-	-	150,000,000	-
				<u>\$ 700,000,000</u>	<u>700,000,000</u>	-	-	<u>700,000,000</u>	<u>\$ -</u>
Unamortized bond premium					1,244,921	-	83,927	\$ 1,160,994	
Net long-term debt as June 30, 2004					<u>\$ 701,244,921</u>	<u>\$ -</u>	<u>\$ 83,927</u>	<u>\$ 701,160,994</u>	

* 2001 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Of the \$150,000,000 Series A bonds, \$75,000,000 was swapped to a fixed rate of 4.09% and \$75,000,000 was swapped to a fixed rate of 4.10%.

** 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, for a true interest cost of 4.83%.

*** 2003 Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Series A and B bonds were swapped to a fixed rate of 4.13%

**** Of the \$150,000,000 2003 Series C Revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. The \$50,000,000 bonds were swapped to a fixed rate of 4.14%. The remaining \$100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 1.05% as of June 30, 2004.

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A summary of changes in long-term debt for the year ended June 30, 2003 is as follows:

Business-type activities

	Issue Date	Interest Rate	Calendar Maturity Year	Original Amount	Beginning Balance July 1, 2002	Additions	Reductions	Ending Balance June 30, 2003	Due Within One Year
2001 Revenue Bond Series A	5/24/2001	4.09%-4.10% *	2036	\$ 150,000,000	\$ 150,000,000	\$ -	\$ -	\$ 150,000,000	\$ -
2001 Revenue Bond Series B	5/24/2001	4.12% *	2029	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series C	5/24/2001	4.11% *	2025	75,000,000	75,000,000	-	-	75,000,000	-
2001 Revenue Bond Series D	5/24/2001	4.83% **	2018	100,000,000	100,000,000	-	-	100,000,000	-
2003 Revenue Bond Series A	2/12/2003	4.13% ***	2038	75,000,000	-	75,000,000	-	75,000,000	-
2003 Revenue Bond Series B	2/12/2003	4.13% ***	2038	75,000,000	-	75,000,000	-	75,000,000	-
2003 Revenue Bond Series C	2/12/2003	4.14% ****	2038	150,000,000	-	150,000,000	-	150,000,000	-
Unamortized bond premium					400,000,000	300,000,000	-	700,000,000	\$ -
Net long-term debt as of June 30, 2003					1,328,849	-	83,928	1,244,921	
					\$ 401,328,849	\$ 300,000,000	\$ 83,928	\$ 701,244,921	

* 2001 Series A, B and C are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Refer to interest rate swap description within this footnote. Of the \$150,000,000 Series A bonds, \$75,000,000 was swapped to a fixed rate of 4.09% and \$75,000,000 was swapped to a fixed rate of 4.10%.

** 2001 Series D bonds are issued as fixed rate bonds with a final maturity of 2018. The bonds carry interest rates ranging from 3.85% in 2006 to 5.12% in 2018, for a true interest cost of 4.83%.

*** 2003 Series A and B are issued as variable rate demand bonds with a floating-to-fixed interest rate swap transaction in place. Series A and B bonds were swapped to a fixed rate of 4.13%

**** Of the \$150,000,000 2003 Series C Revenue bonds, \$50,000,000 are issued as variable rate demand bonds with a floating to fixed interest rate swap transaction in place. The \$50,000,000 bonds were swapped to a fixed rate of 4.14%. The remaining \$100,000,000 are issued as floating rate bonds with a final maturity of 2038. Interest rates in the variable rate demand bond averaged 0.90% as of June 30, 2003.

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Annual funding requirements

The annual funding requirements (principal and interest) for the long-term debt outstanding of the business-type activities at June 30, 2004 are as follows:

Business-type activities			
Fiscal Year Ending	Principal Payments	Interest Payments	Total Payments
2005	\$ -	\$ 28,290,876	\$ 28,290,876
2006	5,785,000	28,290,876	34,075,876
2007	6,015,000	28,057,072	34,072,072
2008	10,825,000	27,813,973	38,638,973
2009-2013	62,305,000	132,077,370	194,382,370
2014-2018	78,870,000	118,221,105	197,091,105
2019-2023	41,100,000	105,185,478	146,285,478
2024-2028	126,200,000	87,006,569	213,206,569
2029-2033	139,000,000	57,478,977	196,478,977
2034-2038	229,900,000	28,157,505	258,057,505
	<u>\$ 700,000,000</u>	<u>\$ 640,579,801</u>	<u>\$ 1,340,579,801</u>

Toll Revenue Bonds

The 2001 Bay Area Toll Authority Bridge Toll Revenue Bonds are payable solely from “Pledged Revenues.” The Master Indenture, dated as of May 1, 2001 defines Pledged Revenues as all bridge toll revenue as well as revenue and all amounts held by the Trustee in each fund and account established under the indenture except for amounts in the Rebate Fund and amounts on deposit in any fund or account established to hold the proceeds of a drawing on any Liquidity Instrument.

BATA has covenanted to maintain bridge toll rates sufficient to meet operations, maintenance and debt service costs. In addition, BATA will seek authority from the State legislature if net toll revenue is less than 1.0 times “fixed charges” as defined by the Master indenture, or the sum of net toll revenue and amounts in the operations and maintenance reserve is less than 1.25 times fixed charges (see detail in Schedule 6).

BATA has also covenanted in the 2001 Indenture that no additional bonds shall be issued, unless the additional bonds are issued for refunding of 2001 Series bond purposes, or Net Revenue equates to greater than 150% of the combined maximum annual debt service, including the 2001 bonds and additional bonds.

BATA has covenanted to maintain an operations and maintenance reserve of two times the adopted operations and maintenance budget, as well as an extraordinary loss reserve of \$50 million. At June 30, 2004, BATA had restricted \$125 million as the restricted operations and maintenance reserve and \$50 million as the restricted extraordinary loss reserve. These amounts are shown as restricted long-term investments for the year ended June 30, 2004.

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The bonds issued by BATA are secured by a first lien on all revenues and are not an obligation of the MTC primary government or any component unit other than BATA.

Interest Rate and Forward Interest Rate Swap Agreements

In January 2002, BATA completed a floating-to-fixed rate swap transaction with a notional value of \$300 million. Counterparties to the transaction are Ambac for \$150 million, CitiCorp for \$75 million and Morgan Stanley for \$75 million. During the 35-year term of the swap, BATA will pay each respective counterparty based on a fixed rate ranging from 4.09% to 4.12% while receiving a floating rate payment equivalent to the actual floating rate payment in years 1 through 4 and a floating rate payment based on 65% of the one-month LIBOR index in years 5 through 35. The variable rate bonds associated with this swap were issued as part of BATA's 2001 \$400 million Toll Bridge Revenue bond issue.

In May 2002, BATA approved a forward contract with Ambac to swap variable-to-fixed rate bonds in a notional amount of \$200 million. The contract calls for BATA to pay Ambac a fixed rate of 4.139%. In exchange, BATA will receive a variable rate payment based on 65% of the one-month LIBOR rate for the life of the 2003 financing. The variable rate bonds associated with this swap were issued as part of BATA's 2003 \$300 million Toll Bridge Revenue Bond issue.

BATA entered into these transactions as a means of controlling long-term debt costs while maintaining a hedge against increases in short-term rates. BATA is aware that swap transactions contain certain associated risks not traditionally associated with fixed-rate issues, particularly the risk of counterparty failure. However, BATA has structured the transaction with reasonable safeguards, including downgrade and collateral provisions required of all counterparties, insurance guaranteeing performance on the Ambac components, as well as BATA's unilateral ability to cancel any transaction with 15 days notice.

The swap contracts address credit risk by requiring the counter-parties to post collateral if two triggering mechanisms are reached: counter-party credit ratings fall below "AA-" or "Aa3" from Standard & Poor's and Moody's respectively; and the swap carries a positive fair value in excess of \$10 million.

As of June 30, 2004, Morgan Stanley had a long term rating of "A+" from Standard & Poor's which falls below the "AA-" threshold. However, no collateral is required because the fair value does not exceed \$10 million. The ratings for Ambac and CitiCorp are "AAA/Aaa" and "AA/Aa1" from Standard & Poor's and Moody's respectively.

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Cancellation of any or all of the swap transactions is subject to a market value calculation at the time of termination. The market value calculation is used to determine what, if any, termination payment is due from or to the counterparty. At June 30, 2004 the financial and investment advisory firm of Public Financial Management (PFM) established the termination value as of June 30, 2004 as follows:

Notional Value	Counterparty	Fixed Rate	Value due from / (to) counterparty
\$ 75 million	Ambac	4.110%	\$ (4,655,000)
\$ 75 million	Ambac	4.120%	(4,720,200)
\$ 75 million	Morgan Stanley	4.090%	(4,720,500)
\$ 75 million	Citibank	4.100%	(4,829,400)
\$ 200 million	Ambac	4.139%	(13,931,800)
			<u>\$ (32,856,900)</u>

The termination value, if BATA terminated or defaulted on all swaps is approximately \$32.9 million.

BATA's intent, however, is to maintain the swap transactions for the 35 year life of the financing. In accordance with Governmental Accounting Standards Board Statement No. 20, BATA has not adopted Financial Accounting Standards Board Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and has not recorded the termination value due to the counterparties. A complete summary of swap values and terms is contained in Schedule 18.

The schedule below shows the total interest cost of the swap payments. The total cost is determined by taking the fixed rate payment to the counterparty, netting the variable rate payment received from the counterparty, plus any associated administrative costs associated with the swap and variable rate obligation. The counterparty fixed rate payment is 4.105% and 4.139% for the 2001 and 2003 swap transactions, respectively. The total cost is 4.738% for the 2001 swap and 4.772% for the 2003 swap.

As of June 30, 2004, debt service requirements of the variable rate debt and net swap payments for 2001 Series A, B and C as are as follows:

Payment Date	Principal Payment	Interest (Variable)*	Interest Rate Swaps, Net**	Interest Remarketing and Liquidity***	Total Payment
4/1/2005*	\$ -	\$ 3,165,000	\$ 9,150,000	\$ 900,000	\$ 13,215,000
4/1/2006**	-	3,165,000	10,149,000	900,000	14,214,000
4/1/2007	-	3,165,000	10,149,000	900,000	14,214,000
4/1/2008	-	3,165,000	10,149,000	900,000	14,214,000
4/2/2009	-	3,165,000	10,149,000	900,000	14,214,000
4/1/2010-2036	300,000,000	62,664,890	200,943,434	17,819,400	581,427,724
	<u>\$ 300,000,000</u>	<u>\$ 78,489,890</u>	<u>\$ 250,689,434</u>	<u>\$ 22,319,400</u>	<u>\$ 651,498,724</u>

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As of June 30, 2004, debt service requirements of the variable rate debt and net swap payments for 2004 Series A, B and C are as follows:

Payment Date	Principal Payment	Interest (Variable)*	Interest Rate Swaps, Net**	Interest Remarketing and Liquidity***	Total Payment
4/1/2005	\$ -	\$ 2,110,000	\$ 6,834,000	\$ 600,000	\$ 9,544,000
4/1/2006	-	2,110,000	6,834,000	600,000	9,544,000
4/1/2007	-	2,110,000	6,834,000	600,000	9,544,000
4/1/2008	3,000,000	2,110,000	6,834,000	600,000	12,544,000
4/2/2009	3,200,000	2,078,350	6,731,490	591,000	12,600,840
4/1/2010-2038	193,800,000	36,920,780	119,581,332	10,498,800	360,800,912
	<u>\$ 200,000,000</u>	<u>\$ 47,439,130</u>	<u>\$ 153,648,822</u>	<u>\$ 13,489,800</u>	<u>\$ 414,577,752</u>

	Series 2001 Bonds	Series 2003 Bonds
Interest Rate Swap		
Fixed payment to cp	4.105%	4.139%
65% Libor	-0.722%	-0.722%
Net interest rate swap payments**	3.383%	3.417%
Variable Rate bond coupon pmts*	1.055%	1.055%
Synthetic interest rate on bonds	4.438%	4.472%
remarketing/liquidity fee***	0.300%	0.300%
Total Cost	<u>4.738%</u>	<u>4.772%</u>

** For Series 2001 Bonds, the above rate calculation takes effect as of April 1, 2006.

6. LEASES

Capital Leases

The MTC leases copier equipment under capital leases expiring in MTC's fiscal year end 2007. The assets and liabilities under this capital lease are recorded at the present value of the minimum lease payments. Minimum future lease payments under the capital lease are comprised of the following:

Governmental Activities	
<u>Year Ending June 30</u>	<u>Amount</u>
2005	22,597
2006	9,968
2007	<u>7,350</u>
Total	39,915
Less interest amounts	<u>(3,470)</u>
Present value of net minimum lease payments	<u>\$ 36,445</u>

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Operating Leases

MTC conducts some of its operations from office space that is leased under a six-year operating lease which commenced on May 5, 1999. Monthly rent under this lease for the year ended June 30, 2004 and 2003 was \$30,088 and \$28,860, respectively.

Future minimum rental payments required under the above operating leases as of June 30, 2004 are as follows:

Governmental Activities

<u>Year Ending June 30</u>	<u>Amount</u>
2005	\$ 361,061
Total	<u>\$ 361,061</u>

7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2004 is as follows:

Transfer from:	Transfer to:				
	General Fund	5% Transit Transfers	90% Regional Rail	AB664 Bridge Toll	Total
Exchange	\$ 809,352	\$ -	\$ -	\$ -	\$ 809,352
STA	2,462,271	-	-	-	2,462,271
BATA	1,851,507	989,075	10,030,620	12,292,116	25,163,318
SAFE	1,134,421	-	-	-	1,134,421
Total	<u>\$ 6,257,551</u>	<u>\$ 989,075</u>	<u>\$ 10,030,620</u>	<u>\$ 12,292,116</u>	<u>\$ 29,569,362</u>

Due to/from other funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	BATA	\$ 571,892
General Fund	STA	\$ 45,096
General Fund	Exchange	\$ 361,491
SAFE	General Fund	\$ 425,977

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The composition of interfund balances as of June 30, 2003 is as follows:

Transfer from:	Transfer to:				Total
	General Fund	5% Transit Transfers	90% Regional Rail	AB664 Bridge Toll	
Exchange	\$ 91,689	\$ -	\$ -	\$ -	\$ 91,689
STA	4,035,593	-	-	-	4,035,593
BATA	1,639,635	999,088	9,972,589	12,280,679	24,891,991
SAFE	2,358,296	-	-	-	2,358,296
Total	\$ 8,125,213	\$ 999,088	\$ 9,972,589	\$ 12,280,679	\$ 31,377,569

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General Fund	BATA	\$ 220,820
General Fund	STA	\$ 442,013
General Fund	Exchange	\$ 37,532
SAFE	General Fund	\$ 267,176

8. EMPLOYEES' RETIREMENT PLAN AND POSTRETIREMENT BENEFITS

Plan Description

MTC's defined benefit pension plan, the Miscellaneous Plan of Metropolitan Transportation Commission ("the Plan"), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The MTC selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento California 95814.

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Funding Policy

Members in the Plan are required to contribute 7% of their annual covered salary which is established by California state statute. However, due to a collective bargaining agreement, MTC has a legal obligation to contribute this 7% on behalf of the covered employees. Therefore, employees have no obligation to contribute to the Plan. MTC is also required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its employees. The actuarial methods and assumptions are those adopted and amended by the CalPERS Board of Administration.

Annual Pension Cost

For the years ended June 30, 2004 and 2003, because of previously determined actuarial surplus, MTC was not required to make actual cash transfers to PERS. The amounts due, employer and member, were deducted from the surplus. Therefore, actual and required contributions were \$0. The required contribution for the year ended June 30, 2004 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included a) 8.25% investment rate of return (net of administrative expenses) and (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of the Plan's asset was determined using a technique that smoothes the effect of short-term volatility in market value of investments over a three-year period depending on the size of investment gains and/or losses. The Plan's unfunded actuarial excess asset is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2001 was 27 years.

The following table shows the MTC's required contributions and the percentage contributed for the current year and each of the two preceding years:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
6/30/2002	-	100%
6/30/2003	-	100%
6/30/2004	-	100%

The MTC's funding progress information as of June 30, 2002 is illustrated as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL) Entry Age</u>	<u>Excess of Assets over AAL</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Excess as a Percentage of Covered Payroll</u>
June 30, 2000	\$ 43,765,185	\$ 29,898,463	\$ 13,866,722	146.4%	\$ 8,283,503	167.4%
June 30, 2001	45,552,447	32,924,078	12,628,369	138.4%	9,035,190	139.8%
June 30, 2002	43,102,147	36,565,796	6,536,351	117.9%	8,283,503	63.2%

Given that the latest available actuarial valuation was as of June 30, 2002 it is reasonably possible that the actuarial valuation as of June 30, 2003 may result in an underfunded

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status and the need for a corresponding liability to be recorded by the MTC given the potential fluctuations in the fair value of investments of the Plan.

9. COMMITMENTS AND CONTINGENCIES

MTC's administered projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantor's audits are completed and final rulings by the grantor's administrative departments are obtained. Disallowed expenditures, if any, must be borne by nonfederal funds. In the opinion of MTC's management, such disallowances, if any, would not have a material adverse effect on the accompanying government-wide financial statements.

MTC is involved in various claims and litigation that is considered normal to the MTC's regional planning activities. MTC has established a \$2.0 million reserve for use for such contingencies. In the opinion of the MTC's management, the ultimate resolution of these matters will not have a material adverse effect on the MTC's government-wide financial position.

Commitment and loan to Bay Area Rapid Transit District

On March 11, 1999, MTC, the San Mateo County Transit District (Samtrans) and the Bay Area Rapid Transit District (BART) (collectively the Parties) entered into a Memorandum of Understanding (MOU) defining the terms and conditions by which additional funds would be made available for the SFO Extension Project (the Project). On September 1, 1999, the Parties agreed to provide a total of \$198.5 million to the Project, with BART providing \$50 million, Samtrans providing \$72 million, and MTC providing \$76.5 million.

The MTC's commitment included a \$60 million loan (the Loan) for the Project's cash flow requirements and \$16.5 million for additional budget items. In addition, MTC agreed to pay for interest and financing costs not to exceed \$11.8 million, for a total commitment of \$88.3 million.

To fund the Loan, MTC has agreed to advance \$60 million from the East Bay Rail Extension Reserve Account (the East Bay Account) for Project cash flows. BART will repay this advance without interest, upon authorization and receipt of federal funds anticipated pursuant to BART's full funding grant agreement with the U.S. Department of Transportation (the FTA grant). MTC further agrees to allocate \$16.5 million to BART from the West Bay Rail Extension Reserve Account (the West Bay Account) for budget items, and utilize a combination of bridge toll revenues and other sources to pay interest and financing costs up to \$11.8 million.

On September 1, 1999, the San Francisco Bay Area Transit Financing Authority (the Authority), a joint powers agency, created pursuant to a joint exercise of powers agreement between BART and MTC, issued \$65,650,000 in Bridge Toll Notes (the Notes). The Notes are limited obligations of the Authority, payable from and secured solely by a pledge of bridge toll revenues, from the East Bay Account, allocated to BART by MTC. The Notes are insured by ACA Capital and are to be paid in semi-annual installments until February 1, 2007 at interest rates ranging from 4.25% to 5.75%.

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Financial statements of the Authority can be obtained from BART, 800 Madison Avenue, Oakland, California 94607.

On February 12, 2001, MTC and BART executed an Acknowledgement Agreement (the Agreement) which modified the repayment terms of the Loan. Under the Agreement, MTC has acknowledged that the FTA grant proceeds, originally pledged to repay the Loan, will be pledged and assigned in favor of bonds (the Bonds) issued by the Association of Bay Area Governments to refinance the Notes and finance the Project. The Agreement confirms BART's obligation to repay the Loan, as set forth in the MOU; however, such repayment will be made from the general resources of BART, and, subject to the prior pledge in favor of the Bonds.

The following schedule provides a summary of MTC's remaining bridge toll allocation commitment to BART:

Governmental Activities

	Regional Measure I <u>East Bay</u>	Regional Measure I <u>West Bay</u>	<u>Total</u>
<u>Year Ending June 30</u>			
2005	\$ 7,000,000	\$ 3,000,000	\$ 10,000,000
2006	7,000,000	3,000,000	10,000,000
2007	301,000	3,000,000	3,301,000
Total	<u>\$ 14,301,000</u>	<u>\$ 9,000,000</u>	<u>\$ 23,301,000</u>

During the year ended June 30, 2004, MTC paid \$10,000,000 to BART increasing the total loan made to BART to \$47,810,000.

10. RISK MANAGEMENT

MTC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. MTC purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by the MTC from insurance companies. To date, there have been no significant reductions in any of the MTC's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

SUPPLEMENTARY INFORMATION

Metropolitan Transportation Commission
Schedule of Expenditures – Governmental General Fund
For the Year Ended June 30, 2004

Schedule 1

Expenditures by natural classification:

Salaries & benefits	\$ 12,698,204
Travel	282,950
Professional fees	29,272,127
Overhead	1,984,115
Printing & Reproduction	304,346
Other	<u>411,108</u>

Reported as general government expenditures
in the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds

\$ 44,952,850

Metropolitan Transportation Commission
Schedule of Overhead, Salaries and Benefit Expense -
Governmental General Fund
For the Year Ended June 30, 2004

Schedule 2

	Direct Costs	Indirect Costs	Total
Salaries	\$ 7,092,298	\$ 1,800,771	\$ 8,893,069
Benefits	3,097,601	707,534	3,805,135
TOTAL SALARIES AND BENEFITS	\$ 10,189,899	\$ 2,508,305	\$ 12,698,204
Reimbursable overhead:			
Printing and reprographics		\$ 64,493	\$ 64,493
Computer services		587,764	587,764
Conference and training		42,640	42,640
Auto expense		11,211	11,211
Travel expense/local mileage		14,192	14,192
Transit tickets		4,045	4,045
Meeting room/office rent		202,445	202,445
Office supplies		60,413	60,413
Equipment Rental		4,042	4,042
Equipment maintenance and repair		3,891	3,891
Mailing and postage		102,784	102,784
Communications		96,752	96,752
Insurance		80,849	80,849
Subscriptions		19,134	19,134
Library acquisitions		11,652	11,652
Personnel recruitment		50,542	50,542
Public hearings		10,421	10,421
County auditor		10,627	10,627
Press clippings		89	89
Provide Graphic Services		4,866	4,866
Law library		24,154	24,154
Parking		21,576	21,576
RAFC maintenance - Third floor		16,591	16,591
Janitorial services		45,073	45,073
Newswire services		2,388	2,388
Utilities		65,245	65,245
Storage rental		16,357	16,357
Advertisement/legal notices		12,689	12,689
Advisory committees		26,500	26,500
Miscellaneous		8,315	8,315
Audio Reproduction/Supply		2,018	2,018
Equipment less than \$5,000 in cost		2,651	2,651
Memberships		35,313	35,313
Subtotal		1,661,722	1,661,722
Under absorbed for year ended June 30, 2004		(640,480)	(640,480)
Carryforward provision		962,873	962,873
Total indirect costs excluding depreciation expense		1,984,115	1,984,115
Depreciation expense		366,124	366,124
Total indirect costs		<u>\$ 2,350,239</u>	<u>\$ 2,350,239</u>

Metropolitan Transportation Commission
Schedule of Expenditures - Federal Highway Administration Grant
No. 020WPM TCM
For the Year Ended June 30, 2004

Schedule 3

	ABAG	MTC	Total
Authorized expenditures			
Federal	\$ 753,283	\$ 4,447,523	\$ 5,200,806
Local Match	97,596	576,224	673,820
Total authorized expenditures	850,879	5,023,747	5,874,626
Actual Expenditures *			
ABAG	753,283	-	753,283
MTC			
<i>Program No. Program Name</i>			
1111 Support the Commission		333,386	333,386
1112 Implement Public Information Program		589,304	589,304
1121 Develop and Produce the RTP		125,000	125,000
1122 Travel Models and Data		425,000	425,000
1154 Graphics		175,000	175,000
1155 Computer Support		675,000	675,000
1156 Library Services		150,000	150,000
1212 Develop MTS Performance Measures		50,000	50,000
1221 Implement TransLink		100,000	100,000
1223 Regional Marketing Program		75,000	75,000
1224 Traveler Information Services		50,000	50,000
1225 Transit Trip Planning		200,000	200,000
1226 Bicycle Information System		15,000	15,000
1227 Coordination Projects		150,000	150,000
1233 Improve Pavement Management Program (PMP)		250,000	250,000
1311 Assist Counties		33,219	33,219
1412 Air Quality		46,856	46,856
1511 Financial Analysis and Planning		150,000	150,000
1512 Federal Programming, Monitoring and TIP Development		600,000	600,000
1515 State Programming and Project Monitoring		145,000	145,000
Total Expenditures	753,283	4,337,765	5,091,048
Balance of Federal Highway Administration Grant	\$ -	\$ 109,758	\$ 109,758

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in
Fund Net Assets – SAFE Proprietary Fund – By Program
For the Year Ended June 30, 2004

Schedule 4

	Callbox Program	Freeway Service Patrol Program	Total
Operating revenues			
Department of Motor Vehicles registration fees	\$ 5,839,026	\$ -	\$ 5,839,026
Other operating revenues	-	199,245	199,245
Total operating revenues	5,839,026	199,245	6,038,271
Operating expenses			
Towing contracts	-	6,936,786	6,936,786
Salaries and benefits	344,749	340,946	685,695
Professional fees	563,773	158,566	722,339
Repairs and maintenance	850,066	102,419	952,485
Communications charges	346,732	105,186	451,918
Depreciation and amortization	365,064	44,465	409,529
Other Operating Expenses	277,886	432,779	710,665
Total Operating Expenses	2,748,270	8,121,147	10,869,417
Operating income / (loss)	3,090,756	(7,921,902)	(4,831,146)
Unrestricted non-operating revenues / (expenses)			
Interest Income	177,697	-	177,697
Caltrans operating Grants	-	5,931,195	5,931,195
Federal operating grants	46,409	63,023	109,432
Total non-operating revenues, net	224,106	5,994,218	6,218,324
Income / (loss) before operating and capital transfers	3,314,862	(1,927,684)	1,387,178
Transfers to MTC	(1,048,738)	(85,683)	(1,134,421)
Transfers between programs	(2,013,367)	2,013,367	-
Transfers to BATA	70,000	-	70,000
Change in net assets	322,757	-	322,757
Total net assets - beginning	26,481,659	-	26,481,659
Total net assets - ending	\$ 26,804,416	\$ -	\$ 26,804,416

Metropolitan Transportation Commission
Statement of Revenues, Expenses and Changes in Fund Net Assets –
SAFE Proprietary Fund – Callbox Program – By County
For the Year Ended June 30, 2004

Schedule 5

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	Total
Revenues										
Department of Motor Vehicles										
registration fees	\$ 1,213,428	\$ 855,447	\$ 232,297	\$ 124,656	\$ 479,540	\$ 681,556	\$ 1,439,345	\$ 353,094	\$ 459,663	\$ 5,839,026
Caltrans operating grants	9,644	6,799	1,846	991	3,811	5,417	11,440	2,806	3,653	46,407
Investment earnings and other revenues	36,928	26,034	7,069	3,794	14,594	20,742	43,803	10,745	13,988	177,697
Total Revenues	1,260,000	888,280	241,212	129,441	497,945	707,715	1,494,588	366,645	477,304	6,063,130
Expenses										
	783,321	567,280	138,180	105,221	83,020	529,094	902,084	301,225	317,581	3,727,006
Income before operating and capital transfers	476,679	321,000	103,032	24,220	414,925	178,621	592,504	65,420	159,723	2,336,124
Interfund transfers	(618,245)	(296,484)	(168,386)	-	(49,680)	(309,075)	(452,412)	(55,016)	(64,069)	(2,013,367)
Change in net assets	(141,566)	24,516	(65,354)	24,220	365,245	(130,454)	140,092	10,404	95,654	322,757
Total net assets - beginning	5,867,893	3,335,607	(63,613)	(72,275)	3,830,218	3,312,845	7,980,463	(179,209)	2,469,730	26,481,659
Total net assets - ending	\$ 5,726,327	\$ 3,360,123	\$ (128,967)	\$ (48,055)	\$ 4,195,463	\$ 3,182,391	\$ 8,120,555	\$ (168,805)	\$ 2,565,384	\$26,804,416

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund
For the Year Ended June 30, 2004

Schedule 6

	2004	2003
Revenue		
Tolls	\$ 145,176,202	\$ 144,199,876
Interest	11,007,091	25,434,363
Other	2,399,717	2,306,668
Total revenue	158,583,010	171,940,907
Operating expenses		
Operating expenses	44,456,244	35,717,351
Services and charges	3,394,826	2,976,657
Depreciation	177,274	142,585
Total operating expenses	48,028,344	38,836,593
Net operating income	110,554,666	133,104,314
Debt service	26,663,420	20,440,983
Income before operating transfers	83,891,246	112,663,331
Operating transfers		
Metropolitan Transportation Commission Administrative Transfers	1,851,507	1,639,635
Metropolitan Transportation Commission Transit Transfers		
AB664 expenses	12,292,116	12,280,679
90% rail expenses	10,030,620	9,972,589
5% transit expenses	989,075	999,088
Total operating transfers	25,163,318	24,891,991
Net income before capital transfers	58,727,928	87,771,340
Capital project transfers		
Regional Measure 1 transfers	362,130,328	306,408,859
Bridge rehabilitation transfers	11,200,785	23,109,446
Transfers to other agencies	3,976,719	2,604,669
Total capital transfers	377,307,832	332,122,974
Net loss before capital contribution	(318,579,904)	(244,351,634)
Capital contribution	2,397,067	-
Change in net assets	(316,182,837)	(244,351,634)
Total net assets - beginning	145,865,287	390,216,921
Total net assets / (deficit) - ending	\$ (170,317,550)	\$ 145,865,287

Metropolitan Transportation Commission
Schedule of Computations Demonstrating
Bond Covenant Compliance – BATA Proprietary Fund, *continued*
For the Year Ended June 30, 2004

Schedule 6

	2004	2003
Net Operating Income	\$ 110,554,666	\$ 133,104,314
Debt Service	\$ 26,663,420	\$ 20,440,983
Debt Service Coverage (1)	4.15	6.51
Debt Service Coverage - bond covenant requirement	1.00	1.00
 Total Revenue	 \$ 158,583,010	 \$ 171,940,907
Fixed charges (2)	\$ 99,855,082	\$ 84,169,567
Fixed charge coverage	1.59	2.04
Fixed charge coverage - bond covenant requirement	1.00	1.00
 Total revenue plus operations & maintenance reserve	 \$ 283,583,010	 \$ 251,940,907
Fixed charges (2)	\$ 99,855,082	\$ 84,169,567
Fixed charge coverage	2.84	2.99
Fixed charge coverage - bond covenant requirement	1.25	1.25
 Self insurance reserve	 \$ 50,000,000	 \$ 50,000,000
Self insurance reserve - bond covenant requirement	\$ 50,000,000	\$ 50,000,000
 Operations & maintenance reserve	 \$ 125,000,000	 \$ 80,000,000
Operations & maintenance reserve - bond coverage requirement	\$ 96,056,688	\$ 77,673,186

(1) Based on debt outstanding from May 24, 2001 and February 14, 2003.

(2) Fixed charges comprises operating expenses, debt service and operating transfers.

Metropolitan Transportation Commission
Schedule of Operating Revenue and Expenses – BATA Proprietary Fund – by Bridge
For the Year Ended June 30, 2004 **Schedule 7**

	Carquinez Bridge	Benicia- Martinez Bridge	Antioch Bridge	Richmond- San Rafael Bridge	San Francisco Oakland Bay Bridges	San Mateo - Hayward Bridge	Dumbarton Bridge	Total
Operating revenues								
Toll revenues collected by Caltrans	\$ 27,665,208	\$ 22,070,380	\$ 3,618,949	\$ 14,813,522	\$ 48,359,687	\$ 17,798,598	\$ 10,849,858	\$ 145,176,202
Other operating revenues	348,252	292,488	44,935	217,703	648,329	229,678	140,285	1,921,670
Total operating revenues	28,013,460	22,362,868	3,663,884	15,031,225	49,008,016	18,028,276	10,990,143	147,097,872
Operating expenses								
Operating expenditures incurred by Caltrans	6,592,173	5,994,071	1,612,896	4,318,356	17,076,095	5,154,500	3,708,153	44,456,244
Services and charges	592,471	471,890	66,784	330,394	1,234,647	418,924	279,716	3,394,826
Depreciation	30,966	24,625	3,488	17,098	64,505	21,925	14,667	177,274
Total operating expenses	7,215,610	6,490,586	1,683,168	4,665,848	18,375,247	5,595,349	4,002,536	48,028,344
Operating income	\$ 20,797,850	\$ 15,872,282	\$ 1,980,716	\$ 10,365,377	\$ 30,632,769	\$ 12,432,927	\$ 6,987,607	\$ 99,069,528

Metropolitan Transportation Commission

Schedule of Toll Collection Summary – BATA Proprietary Fund – by Bridge (in Number of Vehicles)

For the Year Ended June 30, 2004

Schedule 8

	San Francisco- Oakland Bay Bridge	San Mateo- Hayward Bridge	Dumbarton Bridge	Carquinez Bridge	Benicia- Martinez Bridge	Antioch Bridge	Richmond- San Rafael Bridge	Toll Traffic Total
Autos, Trucks, Buses & Trailers								
2-Axle	43,986,719	14,758,054	9,821,494	21,122,249	17,261,176	2,276,100	11,975,833	121,201,625
3-Axle	146,506	98,081	42,177	142,845	149,493	44,094	80,509	703,705
4-Axle	88,737	75,493	20,329	112,170	124,104	31,584	62,157	514,574
5-Axle	415,985	257,991	90,584	656,765	441,513	123,976	275,887	2,262,701
6-Axle	7,547	6,420	1,609	18,531	10,248	1,793	4,267	50,415
7-Axle & More	893	5,457	427	1,381	1,104	84	166	9,512
Subtotal - Paid Vehicles	44,646,387	15,201,496	9,976,620	22,053,941	17,987,638	2,477,631	12,398,819	124,742,532
Free Vehicles	4,534,843	1,515,474	1,205,979	1,556,209	787,593	181,739	637,795	10,419,632
Total Vehicles	49,181,230	16,716,970	11,182,599	23,610,150	18,775,231	2,659,370	13,036,614	135,162,164

Metropolitan Transportation Commission

Schedule of Traffic and Toll Revenue for the Carqueinez Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2004

Schedule 9

	Number of Westbound Vehicles			Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	Total Revenues
July	1,854,625	84,400	1,939,025	151,435	2,090,460	\$ 2,439,602
August	1,932,870	84,218	2,017,088	131,078	2,148,166	586,810
September	1,715,389	80,840	1,796,229	131,233	1,927,462	575,883
October	1,787,370	85,670	1,873,040	119,612	1,992,652	610,901
November	1,690,930	69,545	1,760,475	108,382	1,868,857	497,514
December	1,700,793	70,306	1,771,099	118,153	1,889,252	506,627
January	1,698,800	68,102	1,766,902	117,348	1,884,250	481,078
February	1,588,611	65,156	1,653,767	135,241	1,789,008	467,047
March	1,786,721	81,106	1,867,827	116,601	1,984,428	575,760
April	1,751,115	79,704	1,830,819	132,386	1,963,205	569,683
May	1,812,172	77,830	1,890,002	138,147	2,028,149	550,233
June	1,802,853	84,815	1,887,668	156,593	2,044,261	602,821
Grand Total	21,122,249	931,692	22,053,941	1,556,209	23,610,150	\$ 27,665,208
FY 03-04						

Metropolitan Transportation Commission

Schedule of Traffic and Toll Revenue for the Benicia-Martinez Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2004

Schedule 10

	Number of Westbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	1,499,876	70,262	1,570,138	86,641	1,656,779	\$ 1,496,999	\$ 454,609
August	1,547,294	69,994	1,617,288	69,747	1,687,035	1,543,578	454,216
September	1,404,455	65,376	1,469,831	65,237	1,535,068	1,401,639	440,574
October	1,476,992	68,612	1,545,604	57,786	1,603,390	1,471,459	464,478
November	1,368,782	53,368	1,422,150	55,643	1,477,793	1,367,397	362,739
December	1,423,135	50,346	1,473,481	60,992	1,534,473	1,416,206	348,268
January	1,377,999	48,825	1,426,824	56,304	1,483,128	1,374,283	330,227
February	1,309,293	46,357	1,355,650	63,822	1,419,472	1,312,193	310,783
March	1,481,445	61,060	1,542,505	56,257	1,598,762	1,482,100	411,944
April	1,432,340	60,905	1,493,245	80,709	1,573,954	1,428,157	406,537
May	1,477,742	62,441	1,540,183	56,108	1,596,291	1,470,152	410,173
June	1,461,823	68,916	1,530,739	78,347	1,609,086	1,459,887	451,782
Grand Total	17,261,176	726,462	17,987,638	787,593	18,775,231	\$17,224,050	\$ 4,846,330
FY 03-04							\$22,070,380

Schedule 11

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Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the Richmond-San Rafael Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2004 **Schedule 12**

	Number of Westbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	1,064,266	36,748	1,101,014	58,038	1,159,052	\$ 1,061,397	\$ 246,135
August	1,095,792	37,705	1,133,497	44,549	1,178,046	1,094,640	252,375
September	1,007,397	37,987	1,045,384	51,482	1,096,866	1,006,469	261,180
October	1,038,080	40,080	1,078,160	54,352	1,132,512	1,035,249	277,138
November	948,867	32,137	981,004	37,199	1,018,203	944,889	221,226
December	956,039	31,599	987,638	44,419	1,032,057	955,220	218,516
January	947,305	30,785	978,090	42,918	1,021,008	937,692	205,260
February	895,409	28,160	923,569	54,941	978,510	896,035	190,957
March	1,025,636	36,924	1,062,560	48,658	1,111,218	1,013,015	254,720
April	980,859	35,458	1,016,317	69,479	1,085,796	976,954	242,813
May	1,009,567	35,143	1,044,710	63,245	1,107,955	1,004,962	239,300
June	1,006,616	40,260	1,046,876	68,515	1,115,391	1,002,937	274,443
Grand Total							
FY 03-04	11,975,833	422,986	12,398,819	637,795	13,036,614	\$ 11,929,459	\$ 2,884,063
							\$ 14,813,522

Metropolitan Transportation Commission
Schedule of Traffic and Toll Revenue for the San Francisco-Oakland Bridge – BATA Proprietary Fund
For the Year Ended June 30, 2004 **Schedule 13**

	Number of Westbound Vehicles				Toll Revenues			
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles	Total Revenues
July	3,828,216	56,541	3,884,757	405,742	4,290,499	\$ 3,820,833	\$ 376,197	\$ 4,197,030
August	3,912,084	56,862	3,968,946	373,796	4,342,742	3,909,041	377,786	4,286,827
September	3,636,713	56,353	3,693,066	392,643	4,085,709	3,651,912	378,284	4,030,196
October	3,756,055	60,663	3,816,718	395,179	4,211,897	3,738,859	406,586	4,145,445
November	3,564,780	50,207	3,614,987	329,690	3,944,677	3,568,156	339,663	3,907,819
December	3,596,506	51,707	3,648,213	347,526	3,995,739	3,585,921	350,351	3,936,272
January	3,582,867	50,813	3,633,680	344,539	3,978,219	3,578,622	342,701	3,921,323
February	3,389,432	49,185	3,438,617	352,536	3,791,153	3,385,459	318,818	3,704,277
March	3,726,840	58,630	3,785,470	407,066	4,192,536	3,736,643	384,453	4,121,096
April	3,608,096	55,894	3,663,990	370,522	4,034,512	3,606,647	375,686	3,982,333
May	3,735,645	53,878	3,789,523	386,972	4,176,495	3,726,219	364,103	4,090,322
June	3,649,485	58,935	3,708,420	428,632	4,137,052	3,636,811	399,936	4,036,747
Grand Total								
FY 03-04	43,986,719	659,668	44,646,387	4,534,843	49,181,230	\$43,945,123	\$ 4,414,564	\$ 48,359,687

Metropolitan Transportation Commission

Schedule of Traffic and Toll Revenue for the San Mateo-Hayward Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2004

Schedule 14

	Number of Westbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	1,245,998	38,052	1,284,050	138,072	1,422,122	\$ 1,248,141	\$ 248,568
August	1,282,000	38,306	1,320,306	125,036	1,445,342	1,301,134	249,493
September	1,225,545	39,153	1,264,698	126,857	1,391,555	1,237,251	258,960
October	1,288,920	40,218	1,329,138	128,948	1,458,086	1,304,614	266,435
November	1,165,037	32,345	1,197,382	109,080	1,306,462	1,164,507	215,167
December	1,181,015	31,540	1,212,555	120,217	1,332,772	1,189,496	209,140
January	1,179,419	31,623	1,211,042	116,339	1,327,381	1,191,419	205,350
February	1,128,255	29,892	1,158,147	116,028	1,274,175	1,135,977	193,863
March	1,285,026	37,841	1,322,867	128,062	1,450,929	1,294,988	247,001
April	1,261,486	37,093	1,298,579	133,068	1,431,647	1,273,665	244,174
May	1,260,881	38,372	1,299,253	128,591	1,427,844	1,261,976	256,450
June	1,254,472	49,007	1,303,479	145,176	1,448,655	1,261,344	339,485
Grand Total	14,758,054	443,442	15,201,496	1,515,474	16,716,970	\$14,864,512	\$ 2,934,086
FY 03-04							\$17,798,598

Metropolitan Transportation Commission

Schedule of Traffic and Toll Revenue for the Dumbarton Bridge – BATA Proprietary Fund

For the Year Ended June 30, 2004

Schedule 15

	Number of Westbound Vehicles				Toll Revenues		
	2 Axles	3 or More Axles	Total Toll Vehicles	Free Vehicles	Total Vehicles	2 Axles	3 or More Axles
July	824,169	13,538	837,707	111,295	949,002	\$ 829,062	\$ 86,429
August	836,622	14,200	850,822	98,636	949,458	838,567	93,651
September	816,114	13,974	830,088	103,699	933,787	810,420	91,779
October	861,003	14,304	875,307	106,277	981,584	868,646	93,146
November	773,156	11,383	784,539	87,745	872,284	776,957	73,663
December	781,941	10,835	792,776	93,269	886,045	780,583	70,446
January	797,921	12,137	810,058	95,332	905,390	802,667	75,261
February	767,374	9,691	777,065	93,858	870,923	768,025	60,838
March	865,328	13,918	879,246	105,154	984,400	873,903	87,695
April	829,222	13,088	842,310	104,668	946,978	827,844	84,317
May	831,745	13,214	844,959	92,326	937,285	836,806	85,380
June	836,899	14,844	851,743	113,720	965,463	836,835	96,938
Grand Total	9,821,494	155,126	9,976,620	1,205,979	11,182,599	\$ 9,850,315	\$ 999,543
FY 03-04							\$10,849,858

Metropolitan Transportation Commission
Schedule of Fiduciary Net Assets by Participant
June 30, 2004

Schedule 16

	County of Alameda	County of Contra Costa	County of Marin	County of Napa	City/County of San Francisco	County of San Mateo	County of Santa Clara	County of Solano	County of Sonoma	TDA Fiduciary Total	AB1107 Fund Program	Fiduciary Fund Total
Restricted assets held by participating counties A/R - Interest	\$ 12,038,188	\$ 15,158,844	\$ 1,151,340	\$ 8,226,121	\$ 1,995,946	\$ 2,067,166	\$ 5,240,121	\$ 10,267,000	\$ 19,234,404	\$ 75,379,130	\$ -	\$ 75,379,130
	20,000	6,049	4,413	-	-	18,583	-	49,365	-	98,410	10,000	108,410
Total Net Assets	\$ 12,058,188	\$ 15,164,893	\$ 1,155,753	\$ 8,226,121	\$ 1,995,946	\$ 2,085,749	\$ 5,240,121	\$ 10,316,365	\$ 19,234,404	\$ 75,477,540	\$ 10,000	\$ 75,487,540
Accounts Payable	\$ 1,164,143	\$ 218,261	\$ 47,266	\$ 47,000	\$ 13,521	\$ -	\$ 165,767	\$ 285,612	\$ 86,635	\$ 2,028,205	\$ -	\$ 2,028,205
Accrued Expense	188,123	-	32,496	19,698	201,750	89,930	288,473	779,435	16,853	1,616,758	-	1,616,758
Due to other Governments	10,705,922	14,946,632	1,075,991	8,159,423	1,780,675	1,995,819	4,785,881	9,251,318	19,130,916	71,832,577	10,000	71,842,577
Total Liabilities	\$ 12,058,188	\$ 15,164,893	\$ 1,155,753	\$ 8,226,121	\$ 1,995,946	\$ 2,085,749	\$ 5,240,121	\$ 10,316,365	\$ 19,234,404	\$ 75,477,540	\$ 10,000	\$ 75,487,540

Metropolitan Transportation Commission

Schedule of Changes in Fiduciary Net Assets

For the Year Ended June 30, 2004

Schedule 17

	County of Alameda	County of Contra Costa	County of Marin	County of Napa	City/County of San Francisco	County of San Mateo	County of Santa Clara	County of Solano	County of Sonoma	TDA Fiduciary Fund Total	AB1107 Fund Program	Fiduciary Fund Total
Local Transportation Fund	\$ 55,175,813	\$ 31,412,304	\$ 9,907,306	\$ 5,102,757	\$ 29,492,989	\$ 28,570,875	\$ 69,078,642	\$ 13,532,712	\$ 17,369,653	\$ 259,643,051	\$ -	\$ 259,643,051
AB1107 fees	-	-	-	-	-	-	-	-	-	-	56,936,980	56,936,980
Investment earnings	199,044	100,583	25,382	88,820	56,216	117,353	101,447	257,722	379,642	1,326,209	125,825	1,452,034
Total additions	55,374,857	31,512,887	9,932,688	5,191,577	29,549,205	28,688,228	69,180,089	13,790,434	17,749,295	260,969,260	57,062,805	318,032,065
Allocations	54,902,417	28,729,537	9,552,795	2,649,738	28,372,941	27,977,541	66,158,479	13,934,474	15,428,377	247,706,299	57,052,805	304,759,104
Administrative	1,956,268	1,161,885	396,292	204,110	1,179,720	1,055,848	2,763,147	541,308	629,940	9,888,518	-	9,888,518
Total deductions	56,858,685	29,891,422	9,949,087	2,853,848	29,552,661	29,033,389	68,921,626	14,475,782	16,058,317	257,594,817	57,052,805	314,647,622
Net of additions over (under) deductions	(1,483,828)	1,621,465	(16,399)	2,337,729	(3,456)	(345,161)	258,463	(685,348)	1,690,978	3,374,443	10,000	3,384,443
Due to other governments 6/30/03	12,189,750	13,325,168	1,092,390	5,821,695	1,784,131	2,340,980	4,527,419	9,936,667	17,439,934	68,458,134	-	68,458,134
Due to other governments 6/30/04	\$ 10,705,922	\$ 14,946,633	\$ 1,075,991	\$ 8,159,424	\$ 1,780,675	\$ 1,995,819	\$ 4,785,882	\$ 9,251,319	\$ 19,130,912	\$ 71,832,577	\$ 10,000	\$ 71,842,577

Metropolitan Transportation Commission
Schedule of Interest Rate Swap – BATA Proprietary Fund
June 30, 2004

Schedule 18

	Series A-2001	Series A-2001	Series B-2001	Series C-2001	Series 2003	Total
Notional Amount	\$75,000,000	\$75,000,000	\$75,000,000	\$75,000,000	\$200,000,000	\$500,000,000
Trade date	1/10/2002	1/10/2002	1/10/2002	1/10/2002	3/5/2003	
Swap mode	Cost of fund / 65% Libor	Cost of fund	Cost of fund	Cost of fund	65% LIBOR	
Maturity	4/1/2036	4/1/2036	4/1/2025	4/1/2029	4/1/2038	
Basis risk	No**	No**	No**	No**	Yes	
All in rate						
contracted cost	4.090%	4.100%	4.110%	4.120%	4.139%	
basis cost	0.000%	0.000%	0.000%	0.000%	0.333%	
liquidity marketing	0.300%	0.300%	0.300%	0.300%	0.300%	
Counterparty (CP)						
% held by CP - 2001 Swap	Morgan Stanley 25%	CitiBank 25%	AMBAC See series c for cumulative	AMBAC 50%	AMBAC 0%	100%
% held by CP - Aggregate	15%	15%	See 2003 for cumulative	See 2003 for cumulative	70%	100%
S&P/Moodys	A+/Aa3	AA/Aa1	AAA/Aaa	AAA/Aaa	AAA/Aaa	
Ratings outlook	Stable/Stable	Stable/Stable	Stable/N.A.	Stable/N.A.	Stable/N.A.	
Termination value	(\$4,720,500)	(\$4,829,400)	(\$4,655,000)	(\$4,720,200)	(\$13,931,800)	(\$32,856,900)
Credit risk						
CP collateral posting *	Yes	No	No	No	No	
CP < AA and						
Termination value > \$10,000,000	No	No	No	No	No	
Termination risk ***	No	No	No	No	No	
Tax risk	Yes	Yes	Yes	Yes	No	
Counterparty default rate	65% LIBOR	65% LIBOR	65% LIBOR	65% LIBOR	N.A.	

* Unilateral collateral posting from cp; see attachment f for collateral schedule

** Yes, upon 2006 conversion to 65% libor index

*** Unilateral termination at BATA's discretion

Photography/Art

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Alfred Zampa Memorial Bridge (Carquinez):
Caltrans/Bill Hall

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Richmond-San Rafael Bridge: Caltrans

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Caltrain Baby Bullet: Tom Tracy

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Caldecott Tunnel: Caltrans/John Huseby

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U.S. Highway 101: Caltrans/John Huseby

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Schoolchildren: ©Kit Morris

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AC Transit bus: Tom Tracy

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BART train: John Benson

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Traffic: Getty Images

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U.S. Map: Getty Images

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Top row, left to right
Ferry: Golden Gate Transit
Bay Area aerial: ©2005 Barrie Rokeach
State capitol: ©Tom Myers Photography
Toll booth: Caltrans/John Huseby

Second row, left to right
Bridge pedestrians: Caltrans/Bill Hall
Senator Barbara Boxer: Noah Berger
Fruitvale Village: Peter Beeler
Woman with microphone: Dan Krauss
Muni streetcar: Peter Beeler

Third row, left to right
Richmond-San Rafael Bridge:
Caltrans/John Huseby
Bay Bridge East Span: Caltrans
BART train: John Benson
Caltrain Baby Bullet: ©Scott Buschman

Bottom row, left to right
Bridge construction: Caltrans/Bill Hall
Woman with cell phone: Peter Beeler
Cargo ship: Tom Tracy

All images not listed above are from MTC archives.

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In Memoriam

*We dedicate this annual report to
the memory of Commissioner Emeritus
William R. "Bill" Lucius.*



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